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Cooperation Among Former CEMA Countries Still Needed

91UF0952A Moscow PRAVDA in Russian 3 Jul 91 2nd Edition p 5

[Article by Boris Averchenko: "Good-Bye CEMA!"]

[Text] Continued Cooperation Is in the Common Interest

The CEMA train came to a stop in Budapest. Its owner-passengers uncoupled the railroad cars and sent them along to their separate national stations. The final whistle of the CEMA locomotive engine triggered a variety of feelings and opinions. To some, it was bitterness and regrets; in others, why conceal it, malicious spite; in other again, sensible optimism: There had been mutual aid in the past and there will be mutual benefits and cooperation among equal partners in the future. Now we must tightly link the one with the other.

This collective organization of allied countries existed for 42 years. Created during a rather complicated international situation in 1949, CEMA was an important instrument of the countries of the "new world" in their confrontational offensive mounted against imperialist monopolies and in defense of their economic independence. Through joint efforts and coordination of plans, the CEMA members took a major step forward above all in the development of the crucial industrial sectors and in increasing their production potential.

I am pointing out this major role played by CEMA not at all because it is customary, at a funeral, to speak only good of the dead. Suffice it to describe the powerful international organizations and projects which were founded within the Council or along with it, such as the Mir power system, the Druzhba petroleum pipeline, the common fleet of railroad cars, and dozens of joint enterprises in the areas of machine building and electronics, various design bureaus, laboratories, and other scientific establishments.

Equally unquestionable is the fact that CEMA contributed to the development of its members' production forces and provided an incentive to scientific and technical progress and to the intensification of integration processes. This was recognized in the West and in other parts of the world. I remember that in the mid-1970s specialists from the United Nations, in analyzing the economic results achieved by various countries throughout the world, concluded that in the field of economics the CEMA member states were the most dynamically developing area on earth.

However, as the 1980s came about the CEMA members were beginning to slow down. With every passing year, negative trends in their economic development increased. Was this seen by the then leaders of the fraternal parties and the members of the socialist community? Naturally, they were aware of it.

The advancing crises, in particular, were quite openly discussed at the November 1986 working meeting of the top leaders of the fraternal countries, in Moscow. It was pointed out that the members of the community had fallen behind in the restructuring of their economies and in their

intensification; they had been unable to make a collective technological "leap" which would have enabled them fully to satisfy the joint needs for advanced equipment and technology and, on this basis, to resolve pressing socio-economic problems.

Specific steps were listed, aimed at intensifying economic cooperation, based on the strict and systematic observance of the principles of mutual profit, voluntary participation, and equality. CEMA efforts, which had failed to come up with efficient recommendations, particularly in matters of currency-financial relations, were harshly criticized. A reorganization was planned, so that CEMA could influence, much more than it had in the past, the course of integration processes. All the leaders agreed with the need decisively to reorganize the entire system of our cooperation. Subsequent developments indicated that these were nothing but empty statements....

By no means did we do all we could, even though we simply had to. This had to be done not only because, as is now being said, of ideological considerations or international duty, but also for purely economic reasons and for the need to display economic enterprise.

As we know, it was with our active aid and assistance hundreds of plants, factories, electric power plants, state farms, and other projects were built and entire industrial sectors created in the "fraternal countries." They were the result of the efforts, skill, and knowledge of Soviet workers, technicians, engineers, and scientists; we invested in them our resources and wealth, generously provided by the Soviet people to their friends.

For example, let us look at the economic map of Poland. Almost everywhere in that country there exist big enterprises created with our assistance. For many decades, pig iron and steel have been smelted in Nowa Huta, near Krakow; there is the Katowice Metallurgical Combine in Silesia; the Plant imeni B. Berut in Czesochowa; a huge petrochemical enterprise in Plock; and a high-grade steel plant in Warsaw....

With the technical assistance provided by the Soviet Union to Poland, more than 150 industrial ferrous and nonferrous metallurgy, machine-building, chemical, power industry, construction industry, and agricultural projects were built in that country in the postwar years. This is the substantial and tangible result of the interaction between the two neighboring friendly countries. Suffice it to say that goods produced at works based on Soviet-Polish cooperation account for 94 percent of the cast iron, 60 percent of the steel, 25 percent of the rolled metal, more than 20 percent of the electric power, 85 percent of the refined petroleum, 25 percent of greenhouse vegetables, and many others of Poland's overall output.

Poland was not the exception. Dozens of such projects were built with our participation and are producing goods in Bulgaria, Hungary, and other allied countries. The creation of a powerful industrial base in the members of the former association led to the development of comprehensive ties among them, intensification of production

specialization and cooperation; they became a large unified economic area. Naturally, reciprocal trade increased as well. Every year our country imported from CEMA members goods worth more than 40 billion rubles.

Whatever "gentle" and "soft" revolutions may have taken place in those countries, we shall not be able to do without one another at least in the immediate future. For to break up in a day ties which took years to develop would do irreparable damage to the economies of all those countries.

One would like to believe that the leaders in charge of our foreign economic relations are well aware of the vital interests which the Soviet state had in cooperating with its close and distant partners who, until recently, were united under the CEMA banner, and that active steps will be taken to assist in promoting the efficient utilization within these countries of the jointly created potential for the development of cooperation, naturally, on an equal and voluntary basis.

We have firmly abandoned Brezhnev's "limited sovereignty doctrine," and attempts at imposing any kind of diktat or our will on our former "younger brothers." Firm prerequisites have been established for perestroika and for radically renovating relations with countries close to us, countries which, to this day, remain one of the priority areas of Soviet foreign policy. Joining the world market and increasing cooperation with the West should in no way result in the breakdown and decline of the interaction with our old partners. The "construction projects based on friendship" must not become dead documents. Their purpose is to continue to yield reciprocal results.

The new political and economic reality in the Eastern European countries and their conversion to a market economy contributed to the intensification of the crisis within CEMA and to the withering away of its inherent functions. Its role and significance became part of the past. It lost its legal validity at its final 46th session, held in Budapest. In fact, the CEMA member countries had lowered their CEMA flags as early as last January.

It is true that at that time it had been unanimously proclaimed that CEMA will be radically reorganized and that it will have an heir—the Organization for International Economic Cooperation (OMES), the main purpose of which would have been to increase economic relations and interaction. And although the documents related to

the creation of the OMES had been agreed upon down to the last comma, as they say, it was not destined to live.

First Hungary and, later, several other Eastern European countries announced their unwillingness to link the disbanding of CEMA to the simultaneous creation of a new organization. Instead, they suggested that such an organization be a strictly European, a regional one, while former members of the CEMA family, such as Vietnam, Cuba, and Mongolia, which had been previously the recipients of "fraternal aid" should remain out of it. The view of the Soviet representatives was that the new organization should be open to all. In other words, any country could become a full member.

The need for the creation of a new intergovernmental economic organization, the activities of which would be primarily consultative, is becoming increasingly understood by the present leaderships of Eastern European countries. This would be consistent with the market conditions and the objective of becoming part of the global economic structure. Naturally, it would be able to catch up with the Western countries faster and more easily by acting together, rather than singly.

Unfortunately, however, so far differences have not been resolved. A sluggish search is under way for developing new forms of multilateral cooperation. However, it is entirely clear that the ties linking the former CEMA member countries to each other will continue to develop today above all on a bilateral basis, as will the collective banks—the International Bank for Economic Cooperation and the International Economic Bank, along with more than 20 sectorial and economic multinational organizations, by setting up new associations and joint enterprises.

CEMA is becoming part of history. All that remains is to resolve property, legal, financial, and other problems related to its abolition. A period of 90 days has been set for this "divorce trial." A small commission of "liquidators" is assessing collectively the "acquired property." The CEMA member countries would like to locate their missions in the multi-storied building erected on the bank of the Moscow River, shaped like an open book. The Soviet Union believes that CEMA does not have any heirs and that since the building is on our territory the USSR is entitled to full ownership.

Metaphorically speaking, the final pages are being closed in the huge CEMA book-building. However, the interaction among the partners is continuing. Good-by, CEMA! Long live and prosper cooperation!

RSFSR Law on Foreign Investments

914A0961Z For the RSFSR Law on Foreign Investments published in the 25 July 1991 issue of SOVETSKAYA ROSSIYA, see the FBIS Report Soviet Union: Republic Affairs, FBIS-USR-91-018, pages 47-54.

USSR Legislation on Foreign Investments

914A09532 For the USSR Legislation on Foreign Investments published in the 25 July 1991 (Union Edition) issue of IZVESTIYA, see the JPRS Report Soviet Union: Economic Affairs, JPRS-UEA-91-032, pages 15-20.

1990 Joint Venture Statistics Published

91UF0945A Moscow VESTNIK STATISTIKI in Russian No 6, Jun 91 pp 10-16

[Unattributed article: "Activity of Joint Ventures in 1990"]

[Text] The creation of joint ventures (SP) on USSR territory began in 1987.

In 1987, there were 23 joint ventures registered; in 1988, 168; in 1989, 1,083; and by the beginning of 1991, 2,905. Of these, with firms from the FRG (including the former GDR and West Berlin), 394; United States, 375; Austria, 175; Great Britain, 169; Italy, 182; Switzerland, 123; Sweden, 95; France, 99; Poland, 110; Canada, 70; Bulgaria, 64; Hungary, 58; Yugoslavia, 56; India, 52; Japan, 49; China, 42; Cyprus, 28; and Singapore, 29.

A fairly long period of time passes after registration until the beginning of the activity of these enterprises (from six months in the sphere of services and up to two years in the production sphere). Some of the registered joint ventures that have encountered difficulties are closed down.

Of the 2,905 registered by 1 January 1991 only 1,027 or 35 percent were operating (as of 1 January 1990 there were 473) and 839 were producing products and rendering services, or 29 percent (as of 1 January 1990, 307).

In terms of their kinds of activity, joint enterprises are distributed as follows:

Enterprises, organizations	Number of enterprises	Number of workers, thousands	Volume of production of products (services), millions of rubles
Total	1,027	103.7	4,334.9
in industry	428	56.7	2,312.9
in construction	59	6.8	138.8
in trade and public catering	103	6.7	190.2
in scientific research and planning-design organizations	79	7.0	589.3
in other branches of the national economy	317	22.1	1,013.0
cooperatives	41	4.4	90.7

With an overall 2.2-fold increase in the number of enterprises in operation and a 2.7-fold increase in the number of enterprises producing goods and rendering services, the volume of goods and services increased from 877 million rubles [R] in 1989 to R4.3 billion in 1990 or 4.9-fold, including products from industrial enterprises, which increased from R579 million to R2.3 billion or fourfold, respectively.

In 1990 joint ventures produced: footwear, 8.9 million pair; telephones, 138,400 units; secondary aluminum, 94,500 tons; computer equipment and spare parts for it, R119 million worth (personal computers, 2,134); sewing

machines, R113.6 million worth; furniture, R15.3 million worth; and food fish and sea products, 75,000 tons.

The overall sum of charter funds of enterprises amounted to R7 billion, 38 percent of which (in hard currency) came from foreign participants.

The majority of the enterprises created were small ones: with a charter fund of up to R1 million, 64 percent; from R1 million to R5 million, 26 percent; from R5 million to R10 million, 5 percent; and more than R10 million, 5 percent.

Below is a grouping of joint ventures that produce products or render services according to the numbers of workers.

Number of workers at enterprise	Number of enterprises		Workers in them		Volume of production of goods and services	
	units	proportion, percent	people	proportion, percent	millions of rubles	proportion, percent
Under 50	431	51.4	9,747	9.9	682.8	15.7
From 51 to 200	291	34.7	29,376	29.7	1,577.3	36.4
From 201 to 600	90	10.7	29,758	30.1	1,091.3	25.2
From 601 to 1,000	15	1.8	11,937	12.1	317.0	7.3
Above 1,000	12	1.4	17,960	18.2	666.5	15.4

In terms of their numbers of workers the largest joint ventures are Lenvest (2,569 people) of the RSFSR Ministry of Light Industry and Intertap (2,097 people) of the USSR Ministry of the Electrical Equipment and Instrument Building Industry.

At the same time at small enterprises (up to 50 people) the highest output per one worker was R70,000 per year (the average earnings in joint ventures in 1990 amounted to R42,000). It is possible that the large enterprises are not yet operating at full capacity.

Of the overall number of employees (103,700), 102,300 are Soviet citizens.

The average monthly earnings in these enterprises in 1990 increased by 29 percent as compared to 1989 and amounted to R633; in industry these figures were 25 percent and R560, respectively; in construction, 13 percent and R706; in trade and public catering, 37 percent and R752; in scientific research and planning and design organizations, 49 percent and R807; and in cooperatives, 37 percent and R766.

A large number of the joint ventures were created and are operating in the RSFSR and above all in Moscow (1,293 registered and 340 in operation) and Leningrad (243 and 104, respectively) and also in Estonia, the Ukraine, Latvia, Lithuania, Georgia, and Belorussia.

Production Activity of Joint Ventures in 1990

	Number of registered joint ventures as of 1 Jan 1991	Actually operating		Number of workers		Volume of production (sales) of goods, work, services, million of rubles
		total	including with volume of production (sales) of goods, work, services	total	including Soviet citizens	
USSR—total	2,905	1,027	839	103,661	102,300	4,334.9
including:						
RSFSR	1,971	620	509	65,633	64,786	3,180.8
Ukrainian SSR	209	113	102	13,854	13,770	374.0
Belorussian SSR	54	33	26	3,444	3,437	186.7
Uzbek SSR	30	18	14	4,016	3,990	171.7
Kazakh SSR	16	11	6	804	788	14.4
Republic of Georgia	77	30	25	2,457	2,224	131.9
Azerbaijan Republic	15	1	1	179	179	0.3
Lithuanian Republic	88
Moldovan SSR	29	19	13	1,511	1,496	26.3
Latvian Republic	162	61	47	7,649	7,551	148.7
Republic of Kyrgyzstan	2	—	—	—	—	—
Tajik SSR	3	—	—	—	—	—
Republic of Armenia	17	5	4	141	136	15.9
Turkmen SSR	3	—	—	—	—	—
Estonian Republic	229	116	92	3,973	3,943	84.2

There were 309 joint ventures participating in operations for exporting goods in 1990 and 407 in importing. They sold R284 million (at the official exchange rate for the ruble) in goods and services abroad (in 54 countries), which is twice as much as in 1989. But this comprises only 0.5 percent of the overall volume of the country's exports.

The largest partners in exports were firms of Japan, the FRG, Austria, Italy, and the United States, which account for 61 percent of their exports, and one-fourth of the products were delivered to Japan.

As for the country as a whole, in the exports of joint ventures there was a predominance of raw materials, metals, and fuel (40 percent) and also food items (mainly

products from maritime industry) and consumer goods (33 percent). Food fish, sea products, and caviar worth R44 million, or 16 percent of all the exports of joint ventures, were sold abroad; the Neptun joint venture is the main supplier of these products to Japan. The Rosartamarim joint venture exported R20 million of consumer goods to Japan and the DPRK. The Intersplav joint venture, which is located on the territory of the Ukrainian SSR, sold 17,000 tons of secondary aluminum for R16 million mainly to Japan for freely convertible currency. We delivered R15 million worth of rolled ferrous metals in freely convertible currency: the TSK Stil joint venture (Kazakh SSR) 48,000 tons, the Marten joint venture (Republic of Georgia), 17,000 tons; and cut timber—R12 million,

mainly by the Igirma Tayriku joint venture, 58,000 cubic meters to Japan. Oil exports amounted to 129,000 tons worth R11 million sent to Italy, Greece, Great Britain, Denmark, and the FRG (Yuganskfrakmaster and Totayglaz joint ventures).

Imports of joint ventures doubled and amounted to R943 million (1.3 percent of all USSR imports), including for freely convertible currency, R505 million. Most of the imports were machines and equipment, mainly sets of computer equipment (45 percent) from Poland, Hungary, Bulgaria, and other countries (joint ventures Novyye informatsionnye tekhnologii, Eleks-vest, Interprokom, Variant, Intermikro, and others).

The Asto joint venture purchased trucks from Hungary and passenger cars from the capitalist countries worth R27 million; the Progress joint venture, a flow line for manufacturing juice and equipment and instruments worth R29

million; the Intersplay joint venture purchased equipment for plants for producing nonferrous metals from Spain and spare parts for motor vehicles from Hungary worth R23 million.

Purchases from capitalist countries amounted to R534 million, of which R131 million were from the FRG and R90 million from Italy. From the FRG came printed material, sets of computers, equipment and spare parts for them, patents, licenses, and many other kinds of goods and services in small quantities. A considerable share of the imports from Italy were refrigeration equipment and construction and installation work worth R69 million (Sovitalprod mash joint venture).

Consumer goods account for one-tenth of the imports of joint ventures (R90 million)—radio electronic household equipment, clothing, and printed material. These goods are bought in large quantities by almost all joint ventures, as a rule, from capitalist countries.

Foreign Economic Activity of Joint Ventures Operating on the Territory of the USSR in 1990
(million of foreign currency rubles)

	Exports	Imports	Sales of goods and services on the Soviet market	
			for foreign currency	for Soviet money, millions of rubles
Total for USSR	284	943	653	3,460
including:				
RSFSR	189	729	581	2,458
Ukrainian SSR	33	88	32	310
Belorussian SSR	2	10	14	157
Uzbek SSR	2	62	0	171
Kazakh SSR	10	2	0	8
Republic of Georgia	18	16	1	76
Azerbaijan Republic	—	—	—	0
Lithuanian Republic	2	9	8	62
Moldovan SSR	1	3	3	22
Latvian Republic	16	9	2	125
Estonian Republic	11	15	12	71

On the domestic market goods and services worth R653 million were sold for hard currency, which exceeds the 1989 level three-fold, and for Soviet money, R3.46 billion, with sales for rubles increasing four-fold. Just as with imports, a considerable share of the sales on the domestic market were sets of computer equipment, of which R304 million worth were sold for hard currency and R1.213 billion for Soviet money. Joint ventures provided technical leadership, supervision and operating services, installation and construction work, printing of books, brochures, and advertising material, and other services of a material nature for a total of

R111 million in hard currency, or 17 percent of the volume of sales for hard currency, and for Soviet money R738 million, or 21 percent of the volume of sales for rubles.

The Soviet market received R730 million worth of consumer goods, including footwear (Lenvest, Belvest, and Ryazanvest joint ventures), clothing (Rayfl-Krasnodar, Vympel-Fatekh, and Marten joint ventures), perfume-cosmetic items and sanitary items (Soreal and Femtek joint ventures), and printed materials (Burda-moden and Vsy Moskva joint ventures).

Sales of Goods and Services on the Soviet Market by Joint Ventures in 1990 (millions of rubles)

	For hard currency	For rubles
Total	653	3,460
Machines, equipment, means of transportation	418	1,524
Including sets of computer equipment	304	1,213
Industrial consumer goods	90	730
Including:		
footwear	32	245
goods for cultural and domestic purposes	6	148
clothing and underwear	9	118
fabrics	—	8
haberdashery	0.9	15
medications	6	3
sanitary and hygienic items	0	26
soap and perfumes	3	74
household radio electronic equipment	24	20
Foodstuffs	23	91
Nonferrous metals	0.4	44
Cut timber	0.3	16
Operations of a nonindustrial nature	111	738

Attention is drawn to the fact that the majority of the goods and services sold by joint ventures are computer equipment (for hard currency 47 percent and for rubles 35 percent) and services of a nonindustrial nature (for hard currency 17 percent and for rubles 21 percent).

At the same time for all industrial consumer goods the percentages are: for hard currency only 14 percent and for rubles 21 percent.

If one takes into account the fact that they sell mainly imported computer equipment which has minor adjustments and additions of software, one can imagine what an insignificant contribution the joint ventures are making to the country's economy up to this point.

Many joint ventures are engaging in activity that was not declared upon registration. For example, the Burda-moden joint venture was created for the production and sale of printed material, but in addition to this it exports nonferrous metals, scrap metal, and ferrous metal byproducts to Great Britain, Italy, Denmark, Finland, and the Netherlands; and it has bought R5 million worth of trucks from Czechoslovakia.

The Marten joint venture was created by the Rustavi metallurgical plant and a French firm in order to produce and sell compact gas ranges and sewn items, but instead of prepared items it exported 17,000 tons of rolled ferrous meals worth R5 million to Austria; it imported from France finished leather, clothing, and other industrial consumer goods worth a total of R5 million, and these goods were sold on the domestic market for R26 million.

The Minerma joint venture on the Soviet side was organized by the Yermak ferrous alloy plant and the Promsyrimport All-Union Production Association for processing

products of the ferrous alloy industry and rendering assistance to Soviet ferrous alloy enterprises in acquiring raw materials, equipment, and technology. Instead of this, it purchased 14,000 household machines and 1,282 passenger vehicles in the FRG, R1.3 million worth of furniture in Italy, and medical equipment worth R1 million, radio electronic equipment, clothing, and other goods, for a total of R17 million, in Sweden and the FRG. During the year the enterprise did not sell the products it produced on the domestic market. Only 1,500 tons of ferrous alloys were delivered to the FRG and R0.4 million worth to Luxembourg.

The Soviet-Portuguese Rosartamarim joint venture was registered with the purpose of organizing exhibitions and auctions, publishing activity, restoration work, and intermediary activity. The enterprise has exported industrial consumer goods worth R20 million to Japan and the DPRK, and it did not carry out any other work or services or imports.

With rare exceptions, joint ventures export the goods the country traditionally exports, mainly to the capitalist countries, and they purchase mainly from countries of Eastern Europe technical equipment which can be sold to advantage on the domestic market and also household radio electronic equipment, passenger vehicles, clothing, and other consumer goods in small quantities, as a rule, for their own needs.

In 1990 there was a marked acceleration of the creation of joint ventures with the participation of foreign partners, and their production activity is growing at significant rates. At the same time the structure of production and sales of products by joint ventures on the Soviet market, like their imports and exports, show that these enterprises

are not yet justifying the hopes placed in them for the enlistment of large-scale foreign investments and advanced technologies, and also for saturating the domestic market with consumer goods and reducing the country's dependence on imports, especially with the increased exports of industrial products.

Joint entrepreneurship is retarded because of many factors and is developing with an extreme lack of uniformity in the republics and branches of the national economy.

What with the political and economic instability in a number of regions of the country, foreign partners do not want to take risks, and they are investing small amounts of capital, mainly in small enterprises with a relatively rapid return on investments, taking advantage of the differences between domestic prices in the USSR and prices on the world market.

In the opinion of foreign entrepreneurs, the creation of joint ventures in the Soviet Union is complicated extremely by the low level of effectiveness of the existing bureaucratic system in the country and its resistance in all stages of the creation of these enterprises. Up to this point there is no organ for rendering assistance and coordinating the work of joint ventures. The Council of Joint Ventures was created only recently in Moscow and a similar council is being organized in the RSFSR.

Soviet markets for raw materials, processed materials, spare parts, and also production buildings and housing is complicated and confused. Therefore, even if you have money, it is almost impossible to buy anything. Communications in the Soviet Union are not reliable enough, especially on international lines, and there is no access to reliable information about the conditions and effectiveness of the work of joint ventures because of restrictions having to do with "commercial secrets."

Foreign businessmen think that the Law on Taxation in the USSR provides no incentive for the development of activity since it does not make it possible for the active entrepreneur to earn money because even with earnings of R2,500, a large share of it is turned over to the state.

They consider one of the main obstacles to be the fact that while he invests hard currency in the joint venture, the foreign partner can obtain income, for the most part, only in rubles and not in freely convertible currency.

Joint entrepreneurship will undoubtedly develop, and with the elimination of the aforementioned and many other shortcomings, it will develop at more rapid rates. Foreign businessmen see in the USSR a gigantic storehouse of raw material and an immense market for consumer goods. At the same time they see a highly educated work force which is not spoiled by high wages and which clearly underutilizes the potential of its productivity. Therefore, they will always strive to break through to the broad field of business activity in the Soviet Union. But so far foreign businessmen are offering only their art of management and to a certain degree the technology for the production of goods. The task of Soviet organs is to create the necessary conditions for broader participation of foreign partners in

joint entrepreneurship through a larger contribution of hard currency capital and the application of the latest technologies.

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U.S. Banks Reluctant To Guarantee Soviet Grain Purchases

91UF0946A Moscow IZVESTIYA in Russian 6 Jun 91
Union Edition p 6

[Report by correspondent V. Nadeyin: "It Becomes Increasingly Difficult To Find Creditors: American Banks Reluctant To Guarantee Soviet Grain Purchases"]

[Text] Washington—As reported by the Washington Post newspaper, at least two major American banks, which in the past had gladly financed trade deals with the participation of the Soviet Union, now have refused to provide credits for Soviet purchases. Two more banks are "temporarily" refraining from such operations, making a 5-percent collateral—five times higher than the normal financial practice—a condition for their participation.

A 1.5 billion [currency not specified] loan actually does not mean making the money available. It is only a government guarantee. Strictly speaking, the American Administration simply guarantees private banks compensation for their losses in case the Soviet side defaults.

To start grain purchases this fall, our side has to find \$600 million worth of credit guarantees. Before, when the USSR financial reputation was considered to be unshakeable, there had not been any problems with this. Banks were competing in their offers, seeing direct profit in providing credit for a reliable partner.

Now, however, the situation has changed dramatically. According to information circulating in the banking circles here, the Soviet Union at this point is \$6 billion behind on its trade obligations. In the opinion of the experts from Solomon Brothers company, with the expected 10-percent decline in production this year, the Soviet foreign trade deficit will grow even more, while previously substantial hard currency and gold reserves are almost exhausted.

By American laws, the government does not have a right to provide loans to countries that are not able to pay the debt. Therefore, in announcing President Bush's decision, his press secretary, Marlin Fitzwater, said that "the Soviet Union has never been remiss in repaying official loans extended by our country."

Most bankers, says THE WASHINGTON POST, see in this statement by the administration not so much a reflection on the paying ability of the Soviet Union, as the personal desire of President Bush to prop up M.S. Gorbachev's stability and to support him in his plans for the democratic reorganization of the country.

Banks, however, are traditionally not receptive to political reasoning. Looking at the tensions between the central government and the republics and the deepening crisis in

the Soviet economy, they see a danger to their money that exceeds potential profit. They find the risk unacceptable.

Percentage-wise this risk is not all that great. In accordance with the decision on the \$1.5 billion loan, the American Government promised the banks and exporters a reimbursement of 98 percent of all credits, should the Soviet Union default on the debt. The U.S. Government also guaranteed the payment of 4.5-percent annual interest on the total amount of credit.

"Still, a clear Soviet risk remains, even if it is only 2 percent," THE WASHINGTON POST quotes the words of a director of a large bank. "This does spoil the appetite for the deal, since we are talking about enormous amounts." The director hints broadly that the solution may lie in increasing the size of the collateral amounts the Soviet Union should provide to support its claim on credit.

Although just a few days ago Soviet representatives made another large grain purchase (133,000 tons for the amount of \$14 million), the problem of getting bank credits remains quite serious. For many observers it is clear that the demand of American banks to drastically increase the collateral puts the Soviet side in a difficult situation. But financiers can hardly be blamed for the desire to make the most out of a client's difficult situation. In this world, idealism and philanthropy have their own, clearly delineated place.

Trade Minister Moots RSFSR 'Marshall Plan'

91UN2117A Moscow NEZAVISIMAYA GAZETA
in Russian 18 May 91 p 4

[Interview with RSFSR Minister of Foreign Economic Relations Victor Yaroshenko by NEZAVISIMAYA GAZETA correspondent Dmitriy Leontyev; place and date not given: "Russia Needs Its Own 'Marshall Plan'"]

[Text] [Leontyev] Victor Nikolayevich, at the recent congress the Russian prime minister presented to the deputies a program of economic stabilization and transition to new market relations, developed by the Council of Ministers. Where do you see the place of the ministry entrusted to you in the Russian government's general strategy?

[Yaroshenko] The basis of the program presented by Ivan Stepanovich Silayev is the idea that the Russian economy needs to be returned to a commonsense track. We have to go beyond solving certain immediate problems, such as, for instance, procurement of food and consumer goods to support government socioeconomic programs. We need to look for those economic niches where domestic business, our industrialists, and traders would act not as poor relatives and "junior partners" but as full-fledged participants in the process of creation of material and intellectual values.

So far, foreigners look at Russia as first of all a source of fuels and raw materials. At best, they talk about our country as a potential market, which is, on top of everything, at this point insolvent.

Of course, we cannot stop exporting fuels and raw materials in exchange for industrial goods and technologies right away. To me, the concept of a kind of a "Marshall Plan" for Russia seems very promising. Its centerpiece is the idea of the so-called "ruble-based import." It assumes that the goods and services of foreign partners will be imported for rubles. These ruble resources will then be invested in real estate on republic territory.

This way of increasing the purchasing capacity of the Soviet monetary unit will at the same time contribute to solving the problem of its convertibility. I am sure that if the system is set right, the ruble could rather quickly become as popular as the dollar. After all, behind the ruble is the immense untapped potential of Russia, and major riches in the form of real estate. We have at least 10 trillion rubles [R] worth of it. This includes the value of the land, the capital assets of enterprises, and the housing stock of cities...

Bringing in foreign investors should also play a role in the process of de-state-ization. International experience shows that any country can transfer into the hands of foreign investors up to 25 percent of property without any harm to national independence. In Russia, this figure comes to about R2 trillion. By stretching the privatization process over 10 years we can allow direct foreign investment up to \$200 billion annually. This is the amount of capital we could painlessly attract into the agro-industrial complex, the light and food industries, and housing construction.

[Leontyev] It is hard to imagine that any foreigners would want to invest this kind of money in a country where nobody knows what kind of government there will be six months or a year from now. Where are the guarantees?

[Yaroshenko] First, the Russian parliament and government must adopt acts that legally guarantee the protection of foreign property from any kind of expropriation. Second, an insurance bank or company should be created abroad; its funds could be used, according to a decision of the International Court at the Hague, to compensate for investors' losses in the event of unforeseen circumstances. We could involve foreign loans in the formation of such funds.

We need to work on issues related to foreign investors' ability to repatriate their profits. I believe, however, that this is not the main point. In order to have the output produced at enterprises belonging to foreign investors go to our market on a large scale we need to give foreigners an opportunity to reinvest in our economy the rubles they earn.

We could sell uncompleted objects, shares that are beginning to be issued here, stores, and restaurants to foreign partners for rubles. In doing that, we cannot limit ourselves by ideological considerations.

[Leontyev] Are you not thus giving your political opponents another trump card, an opportunity to accuse you once again of the intent to "sell out Russia"?

[Yaroshenko] We will have no reason to fear "intervention" on the part of foreign capital if we activate the mechanism of state regulation of foreign economic activities: export-import licensing by groups of goods, types of services, and countries, and the regulation through banking of foreign entrepreneurs' activities. In this respect, the Ministry of Foreign Economic Relations of Russia believes that one of its major tasks is participation in developing the appropriate legislative acts, defining the principles of registration of participants in foreign economic activities, and implementing non-tariff regulation. In all this we have no intention of sacrificing the interests of the republic.

[Leontyev] As far as I know, so far you have not reached a full understanding with the Center in regard to foreign economic relations?

[Yaroshenko] If we are talking about the Center's recalcitrant stand on such strategic issues as, for example, assigning to Russia its legitimate share of hard currency reserves, you are probably right. But foreign economic relations are a very fragile instrument. If we start an irreconcilable confrontation with Union foreign economic structures we will lose markets, and then our competitors will rush in. Therefore, our position is to follow the road of compromise as far as is possible.

Our relations with the Union Ministry of Foreign Economic Relations do not look all that hopeless. We have held a joint conference, with the participation of the USSR Ministry of Foreign Economic Relations, our ministry, and all-Union foreign economic associations. We reached an agreement that our relations with the all-Union foreign economic associations (VVO) will be built on a contract basis.

The Russian Ministry of Foreign Economic Relations sees specialized foreign economic associations and shareholding societies and concerns created on the basis of them as one of the central links in the entire chain of foreign economic relations. Taking into account their many years of experience in this sphere, their skilled personnel, long-standing solid relations with foreign partners, and their knowledge of foreign markets, the ministry gives them priority in implementing, under Russian jurisdiction, export-import operations involving republic export resources and hard currency funds.

We have already signed agreements with almost 20 VVO's. These agreements envision participation in building facilities abroad or building and outfitting facilities on RSFSR territory by foreign firms with the participation of Russian entrepreneurs and organizations. The RSFSR Ministry of Foreign Economic Relations undertakes the obligation to recommend the respective party to republic, oblast, kray, and other local power bodies in the Russian Federation, as well as to enterprises and organizations for the conduct of specified work.

The agreements also call for mutual consultations, joint participation in commercial negotiations with foreign partners in the USSR and abroad, and involving the personnel of all-Union economic associations, shareholding societies,

and concerns in work in the RSFSR Ministry of Foreign Economic Relations foreign representations.

[Leontyev] You said that we need to look for new approaches in foreign trade. It seems to me that domestic political situation does not help this much.

[Yaroshenko] At the latest congress the idea of a "round-table" with progressively thinking communists emerged and is now being actively discussed. I think that an attempt to reach a consensus is worth our support, but only on condition that new debates do not slow down the practical work in the implementation of economic reform.

Finnish Firm to Develop Plan for Soviet Timber Industry

*91UF0965A Moscow DELOVOY MIR in Russian
19 Jun 91 p 4*

[Interview with Vladimir Makarov, Soviet leader of a joint Finno-Russian project, by DELOVOY MIR Correspondent Andrey Blinov, under the rubric: "International Partnership": "In the Russian Forest with a Finnish Computer"]

[Text] We want to tell our readers about how YAAKO ROYRY, the well-known Finnish Firm, is developing, jointly with Soviet experts, a timber system development master plan for a number of regions of the European portion of the USSR. Today Vladimir Makarov, leader of the Soviet part of the project, answers questions posed by DELOVOY MIR Correspondent Andrey Blinov.

[Blinov] Vladimir Ivanovich, how did this all begin?

[Makarov] During a visit to Finland, our President Mikhail Gorbachev and Stepan Sitaryan met with Doctor Matti Karkkyaynen [name as transliterated], a representative of YAAKO ROYRY Joint Stock Company. They told the President that Finnish scientists, using computer technology, are developing regional development programs for the Scandinavian countries' forest system. The system allows you to play various forest system development scenarios, study the timber-paper product market, and note points for possible construction of new enterprises.

Upon his return to Moscow, the President tasked us to develop such a master plan for the USSR forest system. A group was created and later a department for development of the "Forest System" master plan under the Council for the Placement of Productive Resources (SOPS) of the former USSR Gosplan. Matti Karkkyaynen is the project leader from the Finnish side and your humble servant is the project leader from the Soviet side.

[Blinov] Could you describe in more detail what enters into the study?

[Makarov] As I already stated, we have been tasked to develop regional programs for the European portion of the USSR, specifically for the Northern and Northwestern rayons and for Kirov and Perm oblasts. Using territorial timber production associations and scientific institutions, we are gathering information and sending it to our Finnish

partners who are developing a regional forest system development program for us. Indeed, we can only use it within the framework of the contract. We have asked the Finns to give us the capability to totally use this system but they have politely refused.

[Blinov] Obviously, they are afraid that you will be able to use it to create competition for them in the struggle for the market?

[Makarov] Certainly. Such relations between partners have existed for many years in the business world.

[Blinov] But why has the head institute of the forest industry economy (VNIPIEllesprom) [All-Union Scientific Research and Planning Institute for the Timber Industry] suddenly been left out of the project? Definite experience has been accumulated there for elaborating development plans and for locating the lumber, cellulose-paper, and timber processing industry.

[Makarov] It was initially proposed to include the institute in this problem. But later it was decided to create an independent interim collective, an alternative to sector science. All the more so since VNIPIEllesprom has carried out a number of studies on predicting the forest system using economic-mathematical methods for the Komi Republic and Novgorod Oblast. It is interesting to compare the results of this research with the conclusions that we are jointly arriving at with Finnish scientists.

[Blinov] What is the probability that the developed proposals will not turn out to be the next project lying on the shelf? Does a mechanism exist that stimulates the fulfillment of these developments?

[Makarov] In order for this not to occur, the Finnish side is planning, jointly with us, to conduct comprehensive marketing, to mark out points for construction of joint ventures, and to help sell the products on the world market. The enterprises will not only be Soviet-Finnish but also with the participation of Swedish and German firms. The fact is that YAAKO ROYRY Joint Stock Company is cooperating with all of the world's timber firms. The Finns propose placing special emphasis on the development of small enterprises in the cellulose-paper industry and in timber machine building. Finnish experts are assuming responsibility for seeking credits to finance the realization of the proposals. We will hire timber system experts to work and create independent structures for working out major problems with the involvement of needed specialists regardless of where and in what country they work.

[Blinov] But this requires resources along with credits....

[Makarov] Local governmental organs are interested in the development of their territories and they will find the resources for financing.

Workers Protest FIAT Privatization Efforts

91UN2210A Moscow ROSSIYSKAYA GAZETA
in Russian 20 Jul 91 p 1

[Unattributed report under the rubric "Privatization": "The Deal: VAZ—FIAT. Who Is To Be the Owner?"]

[Text] ROSSIYSKAYA GAZETA is in possession of an appeal to Russian Federation President B.N. Yeltsin and

Italian Prime Minister Giulio Andreotti; the appeal is signed by hundreds of VAZ [Volga Auto Works] employees. In says, among other things, that lately a number of newspapers reported that intensive negotiations are being conducted between the Volga Auto Works administration and the USSR Ministry of Automotive and Agricultural Machine Building, and the Italian concern FIAT about selling to the latter a considerable part of VAZ property (up to 40 percent). The opinion of the undersigned is that acquisition of such a number of shares by a foreign concern may lead to a de facto change of ownership.

"We, the auto plant workers, people's deputies of various levels, and representatives of enterprises and organizations of the city of Tolyatti," says the appeal, "are surprised that the preparation work on this deal is practically being kept secret from the VAZ collective and from the local power bodies. We are surprised because a conference of the workers collective in February resolved to leave the final decision on the issue of the de-state-ization of VAZ property until after a general referendum at the auto works and a conference of the VAZ labor collective."

The authors of the appeal believe that the haste and mystery surrounding the preparation of the deal show the desire of the auto works administration and the Union ministry to complete VAZ privatization before republic privatization mechanisms come into effect, as well as before the signing of the Union treaty, according to which the center will not retain the functions of managing nondefense industry branches. If the deal goes through, it will present an opportunity to take the enterprise—under the "flag" of joint enterprise with such a major participation of foreign capital—from under the republic's control. The appeal authors see such actions as a "collusion behind the backs of the VAZ labor collective, the city of Tolyatti, and Russia."

"We do not want to settle for, and are insulted by the prospect of the status of 'cheap Soviet labor,'" says the appeal. "We are not against attracting foreign help in order to improve the VAZ economic health. However, in order to do this, the privatization should be started from the right end: First, VAZ workers should be made owners of the plant, retaining the control package of shares; only after that can we talk to capitalists as equals. There is no question that we need their capital and their technology. But we also know the value of our hands and of our engineers' brains."

Appealing to Giulio Andreotti, the authors point out the danger of a conflict situation that may emerge, since the VAZ collective has not said its final word about the nature of VAZ de-state-ization; in the end, this word may not coincide with the wording of the document being prepared now. Meanwhile, the preparation for the VAZ referendum is at its final stage. It will be held in the nearest future. "We are declaring," says the appeal, "that without the participation of all interested parties (the labor collective, the city, and the republic), any document regarding VAZ property will not be legally valid."

"In our city," the authors tell B.N. Yeltsin, "you received 78 percent of the vote in the presidential election. We have a right today to ask for your help in protecting the interests of Russia, the city of Tolyatti, and the labor collective of the Volga Auto Works."

Prospects for 1992 Presidential Campaign Assessed

91UF0996A Moscow LITERATURNAYA GAZETA
in Russian No 28, 17 Jul 91 p 4

[Article by Edgar Cheporov: "Bush President Once Again? The 'Russia Theme' Has Become a Most Important Component of American Political Life"]

[Text] New York—Eighteen months, virtually, before the election of the 42d president of the United States few people have entertained any doubts that it will be George Bush. The victory in the Arabian desert raised his stock beyond reach. No American president for decades has had such poll readings and such an advantage over his rivals at the start of a campaign. Although the time of a decline in presidential popularity has arrived, and this is a normal process, G. Bush's positions will be secure for quite some time to come.

If, of course, the situation in the economy does not deteriorate sharply, if a Watergate-type scandal does not erupt, and if the health of the occupant of the White House is in good shape. But it cannot be ruled out that any one of these "ifs" could occur, seasoned experts caution. The debt mine laid in American finances in the era of Reaganomics could explode. There could be confirmation of the recent accusations—that the Republican Party and, specifically, G. Bush in an accord with Tehran held up the release of American hostages in Iran in exchange for promised arms supplies. Held up to ensure the certain loss at the elections of a demoralized Jimmy Carter. And, finally, the President's sudden attack of cardiac arrhythmia has for the first time forced him to take account of the state of his health.

Numerous opinion polls have recorded here that, in the event of an emergency, Americans would not want to entrust the country's fate to Dan Quayle. G. Bush's choice in 1988 and his desire to leave Quayle in the same office after 1992 is not comprehensible to many people here and is not accepted by many people.

G. Bush is being advised insistently to choose a vice presidential candidate on a competitive basis. There are, after all, acknowledged leaders who have proven their competence such as Secretary of State James Baker, General Colin Powell, and Defense Secretary Dick Cheney. If such a change is not made now, this will be harder to do in 1996. After all, by tradition, a vice president who has served two terms is the first candidate for the presidency.

The predetermined nature of the outcome of the impending elections has been reflected also in the fact that the Republican Party has not yet deemed it necessary to officially nominate any candidate. In the 1988 campaign, we recall, the Republican Pete Du Pont, former governor of Delaware, announced his White House candidacy two and a half years prior to the elections. Just one candidate among the Democrats has registered as yet—former Senator Paul Tsongas. It is written of Paul Tsongas: "A liberal, a Greek, and from Massachusetts to boot." All these attributes were possessed by Michael Dukakis, who lost the

1988 campaign. The possibilities of participation in the presidential race are being "studied" by Virginia Governor Douglas Wilder. In the previous campaign the Democrats had seven candidates at this time, and they had long been traveling around the cities and small towns of America, seeking the favor of the electorate.

It is believed that none of the candidates listed above has the slightest chance not only of the presidency but of nomination by the Democratic Convention as candidate. Such a well-known politician as Sam Nunn and a number of other influential Democrats have deprived themselves of an opportunity of fighting G. Bush on equal terms. In voting in favor of the President's plan for military operations in the Persian Gulf the farsighted Senator Albert Gore supported the President, and it is he now who appears the most likely candidate for the White House from the Democrats. The names of Congressman Richard Gephardt, Governor Bill Clinton, and Senator John Rockefeller are being mentioned on a par with him.

The events of recent weeks indicate that the Democrats—the party of F. Roosevelt and J. Kennedy—are rethinking their place in politics and that they would like to acquire a new role in the struggle for the votes of their fellow citizens. But, as distinct from the Republicans, there is no unity in their camp. This party has, as it is put here, been "Balkanized." John Sununu, chief of the White House staff, and other Republican leaders sarcastically maintain: "The Democrats are their own worst enemies." Two groupings of this party recently held their conferences almost simultaneously. The liberal Coalition for Democratic Values gathered in Des Moines, the center-conservative Democratic Leadership Council, in Cleveland.

Those who went to Des Moines called their Cleveland colleagues "closet Republicans." And once again said that it was necessary to improve medical services and education and tackle other social problems. The Democratic Leadership Council occupied an entirely different position: The Democrats should be oriented chiefly toward the middle class and should do away with the idea of themselves as the "party of big spending on the needs of the poor." "In the minds of many Americans," the Cleveland manifesto said, "our party defends inefficient government programs, puts the interests of individual strata above the interests of ordinary people, and is against the affirmation of American values at home and abroad." Endeavoring to do away with this image, the Democrats have advanced a number of proposals which will obviously create strain in relations with the unions and ethnic minorities. But the party is agreeing to this, making, in addition, an unusual gesture in the direction of the President—it has supported G. Bush's war decision in the Iraq conflict, trade policy, and educational reform.

And as a result the Democrats have earned the unflattering tag of the "Me, Too" party. The radicalism of the Democrats has proven akin to traditional Republicanism, which could intensify the party's dissension with its supporters. "Who will vote for ersatz Republicans," the CHRISTIAN

SCIENCE MONITOR asks, "if they have the Republicans themselves?" Such questions were asked during the last presidential campaign also. The Democrats have not since that time managed to come any closer to the creation of their own political philosophy. Their positions are not only contradictory but also vague.

The Republicans have not, meanwhile, promulgated any new projects or put forward new ideas. In domestic policy, those close to the President are forecasting, the party will deal with the problems of the "big four"—crime, transportation, energy, and education. A lack of political imagination? No, many people believe—just sober calculation. Republican strategists proceed from the fact that the country does not want any appreciable changes and is "proud of its status quo." It has been calculated that in order to win a Republican candidate will need just 65 percent of the vote of white Americans. It is on these that the emphasis is being put.

Are Americans really opposed to change? The answer to this question is not at all simple. The most varied opinions are being expressed in this connection: The product of our civilian industry is losing the competition with foreign business. Top quality is associated today not with the names of American firms but with those such as Sony, Mercedes, Toyota, Seiko, Volvo, Nikon. The level of unemployment in the country is high, the income of the ordinary citizen is declining and the world's best health care is enjoyed by a minority of the population. The budget and trade deficits are showing record highs. And, what is most important, Washington cannot permit relations with the Soviet Union to undergo an insipid period of stagnation and indecision. Having acknowledged that the "cold war" has finally become a thing of the past, the United States should withdraw its forces from Europe and make appreciable reductions in its multibillion-dollar military budget.

New approaches in relations with the Soviet Union have been discussed increasingly sharply in the United States in recent weeks, and Americans' opinion of G. Bush's foreign policy strategy will largely depend, it seems to me, on how these relations take shape in the coming months. The "Russia theme" has always been present at American elections, and candidates would compete in the toughness of their platforms. The Republicans would do so with customary consistency; the Democrats, on the other hand, fearing charges of "spinelessness," have endeavored to appear even more bellicose than their competitors. In the summer of 1988, M. Dukakis was photographed in a tank. G. Bush said in an interview with me that "peace should be achieved only by strength."

Now American leaders are confronted with the task of how to respond to the crisis situation in the USSR, how to assist the Soviet Union. Many people here understand that such assistance should be rendered and that it is in the interests of the United States itself. Chaos in a nuclear power, the severance of the USSR's economic relations with the world, destabilization of the international situation—all this is more than serious food for thought about Western

interests and measures. Arguments about assistance to the USSR begin when it gets to be a question of the scale and the terms on which it is granted.

Two viewpoints are being expressed in the United States on this score, as a rule. The first is that the United States and its partners should make huge, multibillion-dollar investments in the Soviet economy. It is this idea which was put forward by a group of Harvard experts headed by Graham Allison. The plan, which was drawn up together with Soviet economist Grigoriy Yavlinskiy, provides for the annual investment of up to \$30 billion in the Soviet economy over the next five years. The USSR's economic system here is to be switched vigorously to a market track, and military spending, to be reduced sharply.

Here is a typical response to this plan. "President G. Bush," THE NEW YORK TIMES writes, "should overcome his doubts and grant the USSR American and NATO allied assistance, making it dependent upon the appropriate conditions. They are these: Until there are reforms, there will be no aid either; if the reforms become bogged down, the aid will be suspended. The worst that could happen is that we could lose several tens of billions of dollars; the best, our assistance will transform the Soviet Union and make possible the achievement of a new world order." Cited among the conditions without which these transformations would be impossible are political democratization, price reform, convertibility of the ruble, and privatization of property. That is, the Americans do not intend under any circumstances to participate in the galvanization of the command administrative system.

And the other approach to the prospect of aid to the USSR. It should be rendered in small doses, gradually and in line with some real achievements in the USSR in the sphere of a market economy. As yet the official American position does not envisage any decisive changes. The sole thing to which Washington is prepared to accede is technical advice and the granting to us of a \$1.5 billion loan for purchases of American grain. And, further, G. Bush has suspended the Jackson-Vanik Amendment preventing the USSR from acquiring most-favored-nation status in trade. Important changes could begin only when Moscow adopts a convincing strategy of movement toward a free market.

The "Russia theme"—and this means not only economic relations but also arms limitation treaties and cooperation in many spheres—is becoming a most important component of American policy. Opinion polls show that even after the war in the Persian Gulf and in spite of all the talk about a "new world order," an absolute majority of Americans still considers the achievement of cooperation between the United States and the Soviet Union the most important step on the road to peace and security. So relations with the Soviet Union could play a substantial part in the fall of 1992 at the presidential election in the debate on the extent to which American policy is effective and what dividends it is bringing the United States.

The recommendations and complaints addressed to the Democrats and Republicans are not only, of course, a routine election polemic. They are a reflection of the

ordinary voter's degree of interest in participation in the elections and his sober attitude, with a degree of skepticism, toward politics and politicians. For its criticism thereof the American press opts for words more caustic than those born in our country of the era of perestroika. But we should not take literally, the more so in that the Americans themselves do not do so, such words as "venality," "shallowness" and "hatred." This is all a propaganda excess American-style and exaggeration which is permissible and customary for them and whose purpose is to attract the voters' attention.

Americans have and always have had complaints about their politicians, but they emanate not from "class confrontation" but from a pragmatic dissatisfaction with the fact that the politicians are doing their work insufficiently effectively and that political life is not that organically connected with daily life. The absence in the mass consciousness of reverence for politicians of any level and an irrational confidence that the latter will come up with the wisest solutions for any contingency is a long-standing American tradition which strengthens increasingly.

In a society with a well-oiled economic system, with a democratic system of government and with a high degree

of individual liberty and responsibility of the citizens politics are not, fortunately, of self-sufficing significance. A consequence of this is that the more felicitous the atmosphere in the country or when it appears such to many people, the fewer the voters who link with the elections any "fateful" changes and the fewer such changes they desire.

"We are not all that ideologized a nation," Professor Stephen Hess of the Brookings Institution told me. "Americans do not believe that politics is the most important thing in the world. On the contrary, the majority of us would find many situations in which politicians' interference in their affairs would be simply unacceptable. In addition, history testifies that the electorate's interest in elections naturally increases in periods of crisis. It is then that people perceive the need for their personal contribution to the achievement of change. Currently the times are different—we have behind us eight years of continuous economic upturn, and of whether the present recession is serious, no one is certain. All this will determine the voter's behavior or those who do not aspire to be voters. Americans truly do not want any radical changes at this time."

Investigation of Belgian Spy Suspects in Limbo

91UF1018A Groot-Bijgaarden DE STANDAARD
in Dutch 25 May 91 p 1

[Article by Hans Deridder: "Investigation of KGB Spies in Belgium Remains at a Standstill"]

[Text] Brussels—The investigation of eight Belgians suspected of having conducted espionage for years on behalf of the Soviet secret service [KGB] is at a standstill. Ten official reports were submitted six months ago to examining magistrate Colette Calewaert. Since then, no one has heard anything more about the investigation. "A shame," says Senator Jef Valkeniers, VU [People's Union], whose former colleague Jan Van Den Nest is in danger of being the only one who will be convicted on the basis of statements made by defecting KGB officer Igor Cherpinskiy.

An Air Force general who has since retired, a colleague of Interior Minister [Louis] Tobback with the codename "Korin," four BRT [Belgian Radio and Television] journalists, a registry clerk who once worked with VU Senator Valkeniers (the seven Flemings), and a canon and a university professor (the two Walloons) became the talk of the town in April 1990 when KGB officer Igor Cherpinskiy, who worked at the Soviet embassy in Uccle [suburb of Brussels], defected to the Americans. Cherpinskiy, who had been on the Benelux Desk at KGB headquarters for years, stated that the nine Belgians were paid KGB agents.

The Russian defector, who presented himself one morning to his American counterpart in Brussels, was flown to the American base in Wiesbaden, Germany, and interrogated there by two members of Belgian State Security. He provided many details regarding the paid collaboration with the Belgians—details which, so it appeared in retrospect, were completely accurate.

One Arrest

One of the nine Belgians, registry clerk Jan Van Den Nest of Roosdaal, who in March 1989 gave confidential documents to the KGB employee Vladimir Michaelov, was arrested in late June. He had received barely 60,000 [Belgian] francs—much less than the eight other Belgians.

Nonetheless, he is in danger of being the only "Cherpinskiy spy" to be convicted. His dossier has been closed and will be forwarded in a few days to the court.

And yet there are good reasons to assume that the role of the other eight Belgians was much more important than that of the occasional spy Van Den Nest. The eight others were officially registered with the KGB in Moscow as agents and thereby could receive more than the 30,000 [Belgian] francs that KGB officers are allowed to pay contacts on their own initiative. The investigation showed that Van Den Nest got much less than the others, who received several hundred thousand to 3 million [Belgian] francs.

The fact that a judicial investigation had been initiated not only in regard to Van Den Nest, but also in regard to the eight other Belgian KGB informants, remained secret. Minister of Justice Wathelet lifted a corner of the veil of secrecy when he was questioned in parliament by Valkeniers regarding the investigation of the eight. At first Wathelet said that he could not answer until he had received information from the Public Prosecutor's Office. This week he informed Valkeniers that he could not answer because a legal investigation was under way. "The investigation has been brought to a standstill," according to Valkeniers.

The Antiterrorism Group of the Judicial Police that conducted the investigation of the eight KGB agents submitted eight detailed reports to examining magistrate Calewaert in late November. A few days later another two reports followed. Everyone expected house searches and interrogations, but nothing followed: no charges, no requests for new investigations, and no permission to have the Judicial Police meet with Cherpinskiy in the United States, as the Americans themselves had proposed.

"The Cold War is over. The tensions between the Soviet Union and the West have ebbed away. Perhaps it is better to let the spy affair be," we were told in judicial circles. Why then Van Den Nest was prosecuted remains an unanswered question. That political pressure has been exerted is a judgement for which no one can or wants to supply evidence. We merely wanted to confirm that the eight suspects have political connections, that some of them have family ties to politicians, and that one minister was so frivolous as to give one of the suspects advance warning of the investigations in writing.

Soviet 'Business Tourists' Active in Poland

91UF0954A Moscow *RABOCHAYA TRIBUNA*
in Russian 5 Jul 91 p 3

[Article by Warsaw correspondent Fedor Labutin: "Everything is For Sale: Soviet 'Business Tourists' on the Streets of Warsaw"]

[Text] In the very center of the city, two steps from the Central Station at the enormous Defilyad Square, there is a crowd of people. A boisterous bazaar is being held, around the clock. They trade anything and everything. Our compatriots number most of all among these worshipers of Mercury. They come to Poland through private invitations or on tourist trips of 2-5 days. There are automobiles everywhere with Brest, Minsk, Lvov, Kiev, Riga, Vilnius, and even Moscow registrations.

They trade, one could say, wildly. The wares are placed right on the ground on a prudently seized newspaper, or on the hood of an automobile. The sellers have one iron-clad principle: To sell for a little more. True, no one uses the words "get rich." Another, more fashionable term is used: business. But no matter how the words change, the essence of private initiative is speculation, which has blossomed here in wild colors.

What do they trade? Do the goods being offered enjoy demand, when the markets of Poland seem to be saturated even without this? Imagine it, yes! One can see for oneself here, how one or another republic is supplied with consumer goods today. For instance, residents of the Baltic republics are offering large quantities of perfumes, children's clothing, shoes, electrical appliances, medications, and cigarettes; the Belorussians—fish and meat preserves, fabric, fishing tackle, cameras, binoculars, and chainsaws; and the Ukrainians—wine, vodka and brandies, plumbing hardware, automotive spare parts, lock sets, woodworking tools, toys and so forth. Judging by the prices here, our compatriots are selling things relatively inexpensively here. For example, a tin of meat is offered for 3-5 thousand zlotys (6-10 thousand in the stores), a bottle of vodka is 30-35 thousand (40-60 thousand, respectively, in stores), and a "Zenit" camera costs up to 500,000 zlotys (60—800 thousand, in stores). Prices are higher in the morning, lower in the evening.

However, nobody trades at a loss. For example, let me give a specific case. When I went to Poland on business a month ago, my neighbor in the train compartment, a resident of Poltava, happily reported after passing through customs that she had managed to carry 25 bottles of vodka across the border, and her daughter—just as many, for a total of 50 bottles. Let us make a simple mathematical calculation. Having purchased a half-liter bottle for 12-13 rubles, and having sold it in Poland for 30-35 thousand zlotys, my neighbor made about 100 rubles at the current exchange rate. For every half liter! So, together with her daughter she pocketed about 5,000 rubles. And, you will note, she did so without any tax losses.

Our Soviet business tourists do not share their secrets willingly. However, no matter to whom I happened to

speak, they all unanimously confirmed: They make up for their expenses on the trip to Poland by a factor of 5-10. Some are driven by a desire to feed and clothe their families, others—to make more money. Embarrassing as this is to confirm, the majority come to Poland for the purpose of enrichment. One talkative resident of Lvov, who gave his name as Yuriy, told me that he has made 25,000 rubles in three trips to Warsaw. He needs the money for a store of his own, for which he hopes to obtain permission to open. A second person, from Odessa, humorously explained that he is collecting capital to buy a restaurant where he could spend time with his girlfriends.

We ought to rejoice that finally the spirit of enterprise has begun to revive in the residents of our country. Really, trade is a noble business, if it is civilized in nature. However, it does not seem noble to those of us who fund it and are limited by quotas. When goods, whose abundance we ourselves cannot brag about, disappear from our trade network by slipping through the customs barriers, then, legally speaking, such trade looks rather like large-scale speculation.

The local press no longer conceals its concern about the surging flow of Soviet tourists into Poland. Data are given indicating that about 80,000 people come to the country every day, people who not only buy up goods, but also export dollars to the Soviet Union. A figure of 800-1,100 million dollars annually is named.

The democratization of exit and entry has generated an entirely understandable upsurge in organized crime both on our, and on the Polish side. Stable mafia clans have already formed, and a system for the wholesale purchase and sale of imported goods has been clearly worked out. The Poles make good money by selling private invitations to Soviet citizens, the cost of which increases every month. The other day the law enforcement agencies arrested a group of five people, engaged in selling falsified private invitations for 70-100 thousand zlotys. From the beginning of the year, it had managed to "collect capital" of 200 million zlotys. The police have data showing that no fewer than ten organized groups are engaged in such criminal activity in the country.

Numerous cooperatives created in Moscow, Minsk, Kiev, Leningrad and the Baltic are contributing their share to the departure of our tourists for Poland. These cooperatives, not having completely worked out a program for the stay of our tourists in Poland with the Polish side, in fact abandon them to fate. The unfortunate tourists have no place to spend the night and take shelter in railway stations and parks.

Our businessmen-tourists are providing the Warsaw police with many worries. It has become an element of "good form" among "ours" to forget to buy tickets for city transport. When the conductor justly starts to demand payment of the 100,000-zloty fine, tourists from the East refuse to do this and offer instead the rude expressions and arguments of a kulak, for which, naturally, they end up at a police station. Everyday the embassy gets up to 10 phone calls from the police, reporting the lack of desire by Soviet

citizens to pay the fine of 500,000 zlotys for illegally parking an automobile. The car owners cannot reconcile themselves to losing 50 dollars, even to meet the justifiable demands of the authorities. Cases of theft and muggings by our citizens have also become more frequent.

Soviet representatives of the world's oldest profession have started to create serious competition for Polish prostitutes. They are content with 100-150 thousand zlotys for their services, while the local priestesses of love demand 1 million zlotys. The disparity is not only lowering prices for the "commodity," but is also leading to beatings. The Soviet members of the weaker sex have turned to their compatriot racketeers for help, and have started to hire and pay for their own protection.

According to press reports, an illegal labor market has appeared in the country. Soviets, arriving in Poland on private invitations for 1-3 months, are acting as an inexpensive work force. Soviet citizens illegally find work from Polish entrepreneurs and receive 500,000 zlotys a month (50 dollars), food, and a roof over their heads for their labor. This is advantageous for the Poles. They can exploit a hired day-laborer for next to nothing and do not pay the taxes. They would have to pay one of their own workers a factor of 4-5 more. Bricklayers and workers with other construction skills enjoy the greatest demand.

Meanwhile, the Polish official authorities are staying silent and not taking any steps whatsoever to set tourist exchange with the Soviet Union in order. The newspapers have

begun quietly to report public opinion on the need to introduce order in this area. In particular, the newspaper SLOVO POLSKE published a reader's letter which speaks of the need to protect the state's economic interests. It suggests raising the cost of private invitations, limiting their number, and also levying taxes on people who deal in such invitations. As you see, this does not suggest a system of prohibitions, but an economic mechanism for regulating the problem.

Maybe it is time for us to think too. The more so, since the Law on Exit and Entry from the Soviet Union, as everyone knows, enters into effect on 1 January 1993.

Meanwhile, the number of business tourists undoubtedly will continue to grow. It is unlikely that the customs inspector is any obstacle to personal business for many. We must prepare ourselves in time for entry into the international arena of market relations. Apparently, it is worth devising a system of new customs duties and creating mechanisms to regulate the individual foreign economic activity of Soviet citizens. We must more boldly utilize world experience, including Polish. It is important to place our compatriots' enterprise in service to society and to state interests. Nobody will be persuaded by moralizations and appeals today; prohibitions will not stop them. Only one thing remains: We must use economic methods to protect Soviet consumers from losses and learn how to profit from our people's trips abroad.

Argentine Ambassador Interviewed on Relations With USSR

91UF1019A Moscow LATINSKAYA AMERIKA
in Russian No 3, Mar 91 [signed to press 4 Mar 91]
pp 39-41

[Interview with Gaston de Prat Gay, ambassador extraordinary and plenipotentiary of the Republic of Argentina to the USSR; place and date not given: "We Are Living in Remarkable Times..."]

[Text] [LATINSKAYA AMERIKA] The Argentine president recently paid an official visit to the USSR. Could you comment on its results?

[de Prat Gay] President Carlos Menem's visit to the Soviet Union was undoubtedly of very great significance. He was the second Argentine president to have visited the Soviet Union. The first was Dr. Raul Alfonsin, who visited the USSR in October 1986, at the start of the process of the restoration of democracy in Argentina. As a result of the 1989 elections the democratic system in the country was reinforced. One of the first most notable foreign policy steps of the new Argentine president, Carlos S. Menem, was his visit to the USSR and his talks with President Gorbachev.

I believe that the result of this meeting is very positive both for the Argentine and the Soviet sides since it has served to improve and extend our relations. A most important document—the Declaration on the Principles of Cooperation Between Argentina and the USSR—was signed during the negotiations. We are talking about a declaration of friendship and cooperation, which indicates a considerable number of concurrences in principles and aims in various spheres: policy, the economy, the environment and the legal, cultural and humanitarian spheres. This document is the result of accords achieved since the end of the "cold war."

In addition, the following were signed: the Agreement on Cooperation in the Sphere of the Use of Atomic Energy for Peaceful Purposes, the Treaty on the Peaceful Use of Space and, finally, the Agreement on Coordination and Cooperation in the Fight Against the Illicit Use of Narcotics.

The visit also helped the two leaders get to know one another. I believe that both presidents' views coincide to some extent on the future of the world community. Thus in September 1989, President Menem expressed at the first meeting of heads of state and government of nonaligned countries in Yugoslavia the idea of world unity. In turn, President Gorbachev has spoken of the origins of a new civilization, within which different national apartments will unite in a common world home.

The concurrence of principles of the "policy of new thinking" of the Soviet Union and the principles of Argentina's foreign policy course also contributed to the success of this meeting.

[LATINSKAYA AMERIKA] Argentine-Soviet relations are more than a century old. What is your opinion concerning the level of our relations? What could be done to improve them?

[de Prat Gay] Our ties have long-standing traditions. Argentina established diplomatic relations with Russia more than 100 years ago, and in June 1946, with the government of the Union of Soviet Socialist Republics also. This was practically the first foreign policy act of then Argentine President Juan Domingo Peron.

Throughout these years our relations were primarily positive: good in trade, and with rises and falls in the sphere of foreign policy natural for two different political systems.

As of the time of the establishment of democracy in Argentina at the end of 1983 and the proclamation of "glasnost" and "perestroyka" as components of the policy of "new thinking" in the Soviet Union, the rapprochement of political views has become increasingly noticeable and comprehensible. It is this, I believe, which enabled us to sign the above-mentioned Declaration of Principles, which has been evaluated highly.

Consequently, as of the end of 1983 and with even greater clarity from the time of the signing of the Declaration of 25 October 1990, relations between the two countries have been seen as being more extensive and as affording greater opportunities in the sphere of policy, where a number of questions of bilateral and multilateral activity may be worked up. In trade we are trying on a balanced basis to extend our relations, which are appreciable in themselves (in 1989 commodity turnover between our countries constituted \$1 billion). It is confidently expected that the amount of trade in numerical terms will be far higher if the quest for an increase is conducted on a basis of, I repeat, balance.

In the sphere of culture we are also planning a number of programs for realization in our countries. I believe that the future of our relations is very promising and full of opportunities. I am sure that in time our relations, which are strong and specific, will become even firmer.

[LATINSKAYA AMERIKA] I would like to ask you here about the opinion of Argentine entrepreneurs concerning their investments in the Soviet economy. What sectors of the USSR's economy might interest them primarily?

[de Prat Gay] I would like first to provide a brief explanation. The point is that the main document which was signed—the Declaration—contains a very important political section, and the whole text of the document is imbued with political content. The two pages devoted to the economic part disclose the plans of both governments to expand trade relations.

Mention should be made of one paragraph of the Declaration illustrating what I have said: "The parties proclaim their wish to contribute to the growth of bilateral trade relations by way of the search for new forms of cooperation and the broadening and the diversity of spheres of exchange, bearing in mind Argentina's traditional role as a

supplier of cereals, soybean and their derivatives and Soviet participation in the modernization of the Argentine economy by means of machinery and equipment exports and their maintenance. In this context both parties undertake to find mechanisms which contribute to balance in trade exchange."

At this time both governments are trying to encourage individual enterprises in the Soviet Union and Argentina to increase and diversify their commercial contacts. Three very important entrepreneurs' seminars were held in 1990: in April in Buenos Aires (conducted by the Argentine-Soviet Chamber of Commerce), in August also in Buenos Aires (organized by the Latin America Institute and the Mediterranean Foundation) and in October in Moscow, timed to coincide with President Menem's visit to the USSR. A search was conducted at the meetings for ways to improve mutual understanding between the entrepreneurs of both countries in order that they might enter into the world of business armed with a theory maximally reflecting the conditions of reality.

Argentine businessmen were in Moscow at the end of October. They talked with their Soviet colleagues and examined the possibilities of the practice of various types of business. I believe that such exchanges will lead to specific results in the very near future.

It is important to bear in mind, as I have already said, that both governments are trying, fulfilling their agreements pertaining to an improvement in relations, to encourage entrepreneurs engaged in trade. The business world is the world entrepreneurs, and it is now up to them.

[LATINSKAYA AMERIKA] What can you say about the processes occurring in the Soviet Union?

[de Prat Gay] We are living in remarkable times. Processes of change, which were undoubtedly initiated in Moscow, are happening throughout the world. The philosophy of the new thinking and glasnost and the conviction that the world should be built on the basis of democracy—we are seeing all this every day here. I sense and observe this constantly. We recall the enactment of the law on freedom of worship and belief, which provides a legal basis for the freedom of religion and freedom of the press and public organizations, which makes possible the creation of political parties.

I believe that the situation being experienced by the Soviet Union at this time is of world significance. Leading world

politicians have been visiting Moscow twice and three times even in the course of a year. And this is no accident, no coincidence. The point is that political thinking which has transformed world relations emerged in your capital. We still do not realize, it seems, that the "cold war" is over. Being at this time in the land of the people who delivered the "cold war" the mortal blow is both a joy and a privilege. We are starting the decade, the threshold of the next millennium, with very good portents. The most important sign is the dwindling of the fire which ravaged the world from 1945 through 1990—throughout our lives—both yours and mine. We were practically all born and raised and have lived in the times of the "cold war," and all of a sudden it is over. It is important to recognize this since man lives by quotidian concerns and frequently does not have the time to reflect. But we are, after all, beginning a new millennium in peace, we are beginning a millennium which, I am sure, will be a period of prosperity and progress.

[LATINSKAYA AMERIKA] Thank you very much. And could you now not express your personal opinion: How is what is happening in the Soviet Union in our domestic life viewed by diplomats and foreigners in general?

[de Prat Gay] I believe that the process you are experiencing is very unusual. I believe that there is no people on earth which can build its prosperity if it is not based on freedom. I have always been convinced of this. Freedom is the cornerstone in the creation of a decent life. If we glance at the countries of the world which have over the last 200 years demonstrated the highest degree of civilization and progress, we see that the basis of their activity is freedom. I believe that only freedom combined with democracy and legality makes it possible to create a progressive society. I subscribe to what Archbishop Kirill of Smolensk and Kaliningrad said: "Freedom of thought based on the priority of values common to all mankind is, in my opinion, the basis of the new thinking. This should penetrate all spheres of our domestic life. If we build our society on the basis of this ethical principle, we will progress more rapidly."

It is essential to regard all problems and difficulties, however agonizing, painful or tragic, as transient. World history runs to millennia, and only toward the end of our century is it being ascertained that the point of existence is freedom based on democracy and social justice.

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Soviet Perspective on Korean Peninsula Politics

91UF0997A Moscow AZIYA I AFRIKA SEGODNYA
in Russian No 3, Mar 91 pp 13-15

[Article by Candidate of Historical Sciences A. Bogaturov under the rubric: "Countries, Peoples, Time": "The Korean Peninsula Cannot Get By Without Changes"]

[Text] On September 30, 1990, the USSR and the Republic of Korea established diplomatic relations which was met with satisfaction by the peoples of both countries. Prime Minister [sic] No Tae-u's subsequent visit to Moscow imparted a new impulse to the rapidly developing ties of the two states.

The sympathies of a significant portion of Soviet public opinion toward South Korea has contrasted for a long time with that policy of unconditional solidarity with Pyongyang, the foundations of which had already been laid during the first years after the Korean War (1950-1953). The most delicate question for Soviet foreign policy in recent times is the issue of how the USSR, linked with the DPRK [Democratic People's Republic of Korea] through the Treaty on Friendship, Cooperation, and Mutual Assistance and the many years tradition of close ties, including military-political, should share all of its North Korean partners assessments, without exception, of the situation on the Korean Peninsula or, as a great power, does the USSR have the right to its own view of ways to resolve it.

Apparently, the development of relations with both North and South Korea must be determined for us by how much this corresponds to the USSR's real interests. In this case, these interests consist of insuring stability as the key condition for a normal unification process.

The Soviet side has always supported the idea of the peaceful unification of Korea. And today we advocate that it occur on democratic principles with the mandatory withdrawal of foreign troops from the territory of the peninsula. The USSR has invariably declared its fundamental approval of Pyongyang's initiatives insofar as they could promote the attainment of this goal.

In so doing, we must note that there is quite a bit that is similar on the most general issues in the positions of the DPRK, USSR, South Korea, and the United States. All of the parties definitively advocate the unification of Korea. There is also no divergence in the fundamental recognition of the need to withdraw American troops from the South. For example, since the middle 1970's, since the time of J. Carter's presidency, the American administration periodically returns to the idea of withdrawing troops from Korea and reducing their strength. In April 1990, the United States announced its intention to reduce its presence in Korea in 1991-1993 by 5,000-7,000 men, the subsequent reduction of troops having been caused by the satisfactory development of the military-political situation.

The scale of the proposed reduction of the U.S.'s military presence in the absolute expression is not great, it totals 13-16 percent of the 43,000 man contingent deployed.

Washington is clearly not hurrying. Its slowness is obviously explained by distrust of the DPRK and doubts about the restraint of the military circles in South Korea itself. There really are quite a few belligerent radicals in Seoul, say, among the military. And the South Korean government itself is striving to delay the time period for the withdrawal of American troops because it fears literally everything—parliamentary opposition, student demonstrations, yesterday's leaders of the country in military uniform and, finally, the "threat from the North."

The probability of increasing political extremism in the South has essentially not been excluded. Taking this into account, it seems that the American military presence may turn out to be a stabilizing influence on the situation in the next few years, although the troops naturally must be withdrawn in the future.

Two Tactics

Both Pyongyang and Seoul are striving to reduce military tension. But both sides adhere to different tactics. The South Koreans propose minor steps and meetings of individual politicians, including at the highest level. The North Koreans prefer frontal political-diplomatic attacks. So, they have advanced the idea of a joint session of the parliaments of both countries in full strength. Television broadcasts from the sessions of our parliaments permit the readers to form a perception of what this could develop into.

At the beginning of June 1990, the DPRK Central People's Committee, the Permanent Council of the Supreme People's Assembly, and the Administrative Council advanced a proposal that provided for the adoption of a declaration of the North and South on nonaggression in combination with the large-scale disarmament of both sides. They also propose a ban on military maneuvers in the military-demarcation zone, evacuation of all military personnel and equipment from it, and destruction of all military fortifications along the 38th Parallel. Furthermore, they propose reducing the troop strength in both halves of the country in 3-4 years, bringing them down to 100,000 for each side. (Today, according to American data, the DPRK has 750,000 troops and the Republic of Korea has 542,000 troops—**The Editor**). In so doing, we need to bear in mind that U.S. troops and the nuclear weapons controlled by them will be completely evacuated. In the opinion of the DPRK government, the adoption of the last proposal provides the opportunity to create a nuclear-free zone on the Korean Peninsula. This proposal, we will note, goes beyond the framework of the conventional reductions since it proposes a ban on visits to South Korean ports by American ships which are potential nuclear weapons platforms and to which the Pentagon refers in a very guarded manner.

Any attempt to come to an agreement on reducing arms and reducing tensions is worthy of a positive assessment. However, the DPRK's proposals are considered to be too radical in Seoul and in Washington. In the opinion of the Americans and South Koreans, an attempt to implement them in the proposed time periods and on the proposed

scale could give rise to instability and cause serious complications in the socio-economic sphere. In Seoul, the question is raised in connection with this on the asymmetry of the proposed DPRK reductions since they affect only ground forces and do not affect air forces although the North has 740 combat aircraft and the South has 380. The South would prefer the reductions to be more smooth and balanced and tied to the overall change of the atmosphere in relations between North and South where today mutual suspicion dominates just as it did 20 years ago.

It is difficult to eliminate mutual suspicion without removal of the restrictions on contacts between North and South. For now, unfortunately, a direct dialogue between Pyongyang and Seoul is not providing any perceptible progress although the very fact of the aspiration for its development is already important and the negotiations at the North and South head of government level that occurred in September 1990 are evidence of this.

Washington's Contacts with Pyongyang

The United States and the Republic of Korea are intently tracking political life in the DPRK. The events occurring there can be interpreted in different ways. But you have to deal with this partner the way he is. As can be seen, Washington is beginning to better understand this and to make practical conclusions. Indeed, there are few grounds for special euphoria with regard to the rates of improvement of American-North Korean relations but extreme pessimism would also hardly be appropriate. In any case, the trend noted at the end of 1989 toward the revival of American-North Korean contacts in 1990 has been maintained and consolidated.

They have begun to be implemented along several lines simultaneously: unofficial and semiofficial exchanges of visits of cultural figures are expanding and the tourist exchange trade and economic contacts on a non-state basis are increasing. From December 1989 through May 1990, seven meetings between American and North Korean diplomats occurred in Beijing at the level of political issues advisers. Today observers do not exclude the possibility of shifting negotiations to New York. This is certainly impressive progress after long years of mutual accusations.

According to American experts, we can count on mutual understanding with the DPRK along such following directions as: 1) recognition of a dialogue between Pyongyang and Seoul as an internal matter of the Koreans; 2) return of the remains of American servicemen who died during the Korean War and exchange of information about those missing in action; 3) mutual curtailment of unfriendly propaganda; 4) employment of military confidence-building measures in the area of the demarcation line; 5) warning of acts of international terrorism; and, 6) the issue on using IAEA [International Atomic Energy Agency] guarantees for the DPRK's nuclear energy facilities.

So far, the practical results of the negotiations are small. Indeed, let us note that the transfer of the remains of five American soldiers to American representatives took place on May 28, 1990 in Panmunjom, a small village in the

demilitarized zone. Unfortunately, so far nothing has been reported about more than 8,000 other Americans who died but maybe this ceremony that symbolizes the presence of goodwill will become the prologue to more serious understandings.

Hardly anyone dares to judge if the sides will be able to narrow the sphere of contradictions that separates them to the point where they will be able to establish full-fledged economic, humanitarian, and political relations, the absence of which impedes the formation of an atmosphere of mutual tolerance among all of the parties who participated in the conflict and which slows the process of resolution.

The significance of the dialogue between the DPRK and the United States naturally goes beyond the framework of bilateral relations. The structure of international relations in the zone of the Korean Peninsula can become more durable if we manage to deliver it from the imbalance associated with the isolation of the DPRK not only from the United States but also from Japan and many countries of Southeast Asia. This is particularly relevant in connection with the changes planned in the structure in the context of the overall improvement of the situation in the Asian-Pacific Region, the establishment of diplomatic contacts between Moscow and Seoul, as well as the perceptibly increasing chances of normalization of interstate relations between Pyongyang and Tokyo after the successful negotiations in the DPRK in September 1990 of a Korean Workers' Party delegation, on the one hand, and the group of leading figures from Japan's Socialist and Liberal-Democratic Parties, on the other hand.

Seoul Is not Deluding Itself

The Soviet Union established diplomatic relations with Seoul despite the unambiguously expressed opinion of the DPRK. In the North Korean press, this step of Moscow's was condemned and an emotional ardor of critical articles and their wording depressingly recalled our own recent past. But each side's right to its own opinion is not subject to doubt. Both the USSR and the DPRK have grounds to be interested in each other. Both countries desire prosperity for their peoples and geostrategic factors determine the close interweaving of their interests in the sphere of economics, politics and, naturally, insuring security. This makes the estrangement of these two countries totally irrational no matter what ideological or other considerations it is based on. One more consideration, that the USSR and DPRK are countries who are neighbors, dictates the need to maintain constructive relations between them.

It is another matter that the gap between specific forms of relations and the vital realities of international and domestic development of each of them can increase to such a level when they cannot get by without changes. But this does not signify that changes must necessarily be destructive. We thought for a long time that only proletarian internationalism could serve as the ideological and theoretical foundation of relations between socialist states. However, time has shown that this is not so. Today the

USSR does not reject China's development along the socialist path. As for relations between our two countries, now they are successfully structured on the principles of peaceful coexistence. By way of illustration, we can also say the same thing about relations with Yugoslavia. The USSR's path toward a friendly partnership with the PRC [People's Republic of China] and Yugoslavia was complex and indirect. But ultimately a balance of interests was found. And this occurred only after the USSR began to manifest understanding of the specific features of the development of each of these countries and both of them—of the specific Soviet features. Mutual understanding is also necessary for relations with the DPRK. Including on the issues of development of ties with South Korea.

Today Soviet society is manifesting an exclusive interest in this country. It is primarily associated with its economic successes which we ourselves would like to achieve. But at the same time, realism is necessary in the assessments of Soviet-South Korean relations, including the sphere of economics.

The fact is that for now we cannot effectively use the Republic of Korea's aid: our law on joint ventures needs improvement, there are inadequate guarantees for foreign capital investments. It seems that officials see the sense of cooperation with Seoul businessmen primarily in consumer credits and primitive trade on the formula of "raw materials for clothing and video systems." But something similar has already occurred. In the 1970's, this is how everything that we managed to acquire through the sale of oil was eaten away and worn out. Do we need to repeat our own mistakes? Until the government resorts to founding zones of heightened economic activity in the Far East with its orientation on accelerated inclusion in Pacific Ocean regional ties, major deals with South Korea cannot provide the desired economic return.

Seoul's interest in establishing official ties with Moscow is ultimately associated with economic vested interests. The South Korea side is well informed about the degree of our readiness to participate in advanced forms of cooperation with foreign partners—formation of joint technological production and simply of any profitable mixed enterprises and is not deluding itself. However, official recognition by the USSR signifies the consolidation of South Korea's international positions. Now the South Koreans are more confident of themselves in their dialogue with the North.

It appears that the task of Soviet policy in Korea today consists not of supporting one side against the other but in eliminating the source of a potential threat of USSR involvement in a conflict on the Korean Peninsula. We need to clearly say this to all interested parties. Of course, it is important to continue the policy of the comprehensive deepening of ties with Seoul, including, naturally, economic ties. But it is no less vital to impart a form to the process of increasing mutual ties that would exclude increasing the DPRK's isolation. Our diplomatic recognition of Seoul—is not a goal in itself but only a means of involving both parts of Korea in a new international

structure which would guarantee the preservation of peace and stability in that part of the region on the basis of multilateral coordination.

Soviet-American Consultations

The idea of Soviet-American consultations on the problems of East Asia emerged several years ago. In January 1990, an official understanding was achieved on their regular conduct. The Korean question stands apart in a quite broad spectrum of possible discussions. It is the Korea problem more than any other that is ripe for the constructive cooperation of both powers.

What can this be a question of? For example, about the discussion of confidence-building measures in the Korean Peninsula zone. The regularly conducted Team Spirit American-South Korean military maneuvers have become a symbol of the treachery of "American Imperialism and its South Korean puppets" and the inexhaustible source of propaganda themes in the North. Actually, it is difficult to understand why they, to the south of the 38th Parallel, do not agree to reduce the scale of these exercises, inform about them, and, maybe invite observers from interested countries as this is now already customary throughout the world. In this case, one could count on appropriate actions by the DPRK which would not in principle contradict Pyongyang's official point of view.

Another important issue—is observance of the provisions of the Treaty on the Nonproliferation of Nuclear Weapons. Both powers bear a special responsibility to the world community in this matter. The acceptance by all of the world's countries that peacefully use the atom of IAEA guarantees that specifically stipulate inspection of national nuclear energy facilities for the purpose of verifying the nature of the use of fissionable materials is all the more important. The DPRK, which is manifesting a growing interest in the construction of AES's [nuclear power plants] with the USSR's assistance, is inclined toward recognition of IAEA guarantees however, there is still no final decision on this issue. It is possible that it would be worthwhile for Soviet and American representatives to exchange opinions on the prospects of transforming the Korean Peninsula into a zone free from nuclear weapons.

Preparation of a document not unlike "The USSR's and U.S.'s Common View of the Stages and Principles for Resolving the External Aspects for Normalizing the Situation in Korea," in which recognition of the role of a direct bilateral dialogue of the Korean parties as a key factor for resolving the problem could be precisely recorded, could become one of the goals of consultations at their advanced stage. This could in turn stimulate negotiations between Pyongyang and Seoul, while introducing the conceptual background and realistic approach on issues of normalization time periods into them without affecting specific issues on unification methods and terms or on measures for creating confidence and mutual understanding of both parts of the country. Naturally, the end goal of Soviet-American consultations would logically be to consider the

preparation of a decision on the withdrawal of the American armed forces from the southern part of the peninsula that is tied to the issue of arms deliveries to the DPRK.

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Significance of, Prospects for ROK-USSR Ties Examined

91UF1021A Moscow PRAVDA in Russian 21 Jul 91
Second Edition p 5

[Article by G. Vasilyev under the rubric "The World and Politics": "From the Journalist's Notebook"]

[Excerpt] Citizens of the Republic of Korea predominated among the passengers of the Korean Air Company plane flying from Moscow to Seoul. Many of them had visited our country for the first time; in a way they had discovered for themselves the Soviet Union, this mysterious country that once seemed to be an enemy and to which they were for practical purposes denied entry just a few years ago. There were several dozen Korean businessmen in the commodious compartments of the Boeing-747, maybe a dozen professors who had taken part in a Moscow conference, two former prime ministers of the republic, and one former minister of foreign affairs. Flying with them to Seoul, a kind of counter movement, were our business people, including a delegation from the USSR Ministry of Civil Aviation which was going to the ROK to conclude an intergovernmental agreement on air travel.

The establishment of diplomatic relations between our two countries might have seemed unexpected. M. S. Gorbachev met President No Tae-u in San Francisco in June 1990, and already by October the exchange of ambassadors was made. It had appeared that there were insuperable obstacles on the path to normalization of relations, like the stone antitank wall that cut across the peninsula. Both we and they had to make our way through the confrontational debris of the past, through primitive ideologized notions that divided the entire world into "friends" and "enemies."

We recognize the far-sightedness and realism of the ROK President. But we are not afraid to say a good word about our own leadership. They showed firmness and principle. I heard that Moscow's intention to normalize relations with Seoul drew a sharp reaction in Pyongyang. We were warned not to do it and threatened with possible retaliatory measures. But it did not matter; we were not intimidated, and we established relations. And everyone benefited from this: the South, the North, we, and the whole region. As sports commentators say: there were no losers; friendship was victorious!

South Korea is discovering the Soviet Union. It is discovering it with curiosity and great economic interest. The attitude toward Soviet people in Seoul is hospitable, not without warmth. This is all the more noteworthy because contemporary history, it would seem, would not foster friendly feelings toward the USSR among South Koreans.

People have not forgotten the bitter war of 1950-1953. The displays of an open air museum on one of the squares of Seoul—a Soviet T-34 tank, a Chinese T-59 tank, and American B-29 and B-26 bombers—recall it. To the present day there is in effect in South Korea a state security law that is essentially anticommunist.

Nonetheless...When you find yourself in South Korea today, walk the narrow streets of Seoul and page through the local newspapers, you often see signs of the new times and manifestations of the developing interactions between the two countries.

The first session of the Soviet-Korean committee on scientific-technical cooperation. Signing of the intergovernmental agreement on air travel which envisions, among other things, an increase in the number of Moscow-Seoul flights. The scientific conference decided to future relations between the two countries. And here are facts of a different type, but with the same thrust. The Moscow Restaurant has opened on one of the central streets of the South Korean capital. Switching through television programs, you suddenly hear Russian being spoken. It is a Russian language lesson. And it is being broadcast on the channel next to the one that broadcasts in English for the American soldiers stationed in South Korea.

The Koreans are emotional and at the same time practical people. While with their hearts they welcome the establishment of relations between our two countries, at the same time they are expecting practical advantage from this, for themselves personally and for their country.

One of the professors who was returning to Seoul, sitting in the next row, kept looking out the window. "What a huge country you have! How much land, forests, every possible resource!" he exclaimed with delight. And then with an apologetic smile he said, "And how difficult it is to understand why you live so badly today..."

In fact Professor Pak understood everything very well. I found this out by reading the report which he presented at the Moscow conference. It was a thorough analysis of our misfortunes linked to the crisis of the totalitarian-command system accompanied by outlines of broad plans for possible economic cooperation between the two countries. The professor believes that with the "discovery" of the Soviet market by the ROK an opportunity has appeared to diversify its export and import. This is especially important today, when the competitive struggle between South Korea and its traditional trading partners, the United States and Japan, has become more acute. He believes that interaction should not be limited to purchase of raw materials in the USSR and export of finished products. He sees prospects for the formation of joint enterprises and what he calls a "marriage" of Soviet technology with the Korean art and organization of production.

We should not forget that the Government of the ROK decided to grant us a credit of three billion dollars against the development of trade and economic ties. This is more

money than has been offered by some large Western countries who very frequently express their sympathy for perestroika.

Of course, it is not only economic interests that explain the positive mood with which Seoul greeted the establishment of diplomatic relations between the ROK and the USSR. I think that foreign policy considerations were even more important. "Our country is comparatively small, 43 million people," they told me. "And it is located in the midst of four giants: China, the USSR, the United States, and Japan. We want to have good relations with all. But until recently we had diplomatic relations only with the United States and Japan. The breakthrough in the Soviet sector bolsters the foreign political stature of the ROK, gives it greater freedom of political maneuver, and introduces fresh winds in the atmosphere of the region."

Mr. Yi Yong-pin, deputy ROK minister of foreign affairs, expressed his satisfaction that Soviet-South Korean relations are developing, as he put it, "smoothly and vigorously." He devoted a large part of our conversation to the positive impact which they have on the general situation in the region, including on prospects for peaceful reunification of Korea. "We aspire to dialogue with North Korea, a dialogue directed to overcoming accumulated mistrust, hostility, and confrontation," the diplomat said. "But this alone is not enough. There also has to be a favorable external environment. It is not possible even to conceive of peaceful re-unification of the country without normal relations between the two Koreas and the United States, Japan, the Soviet Union, and the PRC. That is why it is so important that Moscow and Seoul exchanged diplomatic missions."

The establishment of diplomatic relations between the Soviet Union and the Republic of Korea, which took place in the setting of a general improvement in the international situation, acted as a kind of pulse that set in motion positive processes in the region. It can be said with a great deal of confidence today that when the next session of the U.N. General Assembly opens in September, the primary international organization will add two more members. They will be the ROK and the DPRK [Democratic People's Republic of Korea]. In the past the North has opposed such a decision, proposing a formula—two states and one place—that it essentially knew was unacceptable. It recently revised this position, and the road to the U.N. is now open for both the North and the South.

Pyongyang has recently begun looking for a way out of the isolation into which it has driven itself. Negotiations are underway with Japan and the Philippines which, if successful, may lead to the establishment of diplomatic relations. A semiofficial American delegation visited Pyongyang, and North Korean representatives made a trip to the United States. The DPRK Government has expressed its

willingness, under certain conditions, to accept IAEA inspection of nuclear installations in North Korea. The situation on the Korean peninsula and around it, which has been frozen since the 1950's, is in flux.

Almost as it happens in nature, the melting of the icebergs of the cold war began at the top, with Soviet-American relations. Then it engulfed the middle part of the block of ice, the European theater. Today beneficial changes are increasingly making themselves known in the Asia-Pacific Ocean region as well, the region which many political scientists believe is fated to be the world's leading economic region in the 21st Century.

In the space of some two to three decades South Korea, a poor agrarian country, turned into a developed, high-tech society. The largest of the four "little tigers" is no longer thinking in narrow, local categories. It is looking far beyond the horizon. And this is probably why there were among the South Koreans I talked to people who think globally and have a philosophical turn of mind. One of these "globablists" was Doctor Cho Yong-sik, the president of Kyonghui University in Seoul.

Doctor Cho believes that the human race has lived through two major revolutions and has now entered the third, deciding one. The French Revolution, he says, liberated the individual, but gave rise to ever-greater social inequality. The October Revolution aimed at refining democracy by instituting the social equality of people. But it fell victim to totalitarianism and the suppression of individual freedoms and independent human creative activity. The world is now undergoing a third democratic revolution which, taking in the best ideas of its two predecessors, is being built on the basis of universal human values. It follows from this that the new world order can only be based on recognition of the priority of general human values.

Such conclusions are close to those of our new political thinking, although the Korean scholar arrived at them independently back in the early 1980's.

"The bar of trust and good neighborliness with the Republic of Korea is set quite high today." These are the words of M. S. Gorbachev. It is really true, and we can only be gratified at this. But when the bar is set high it demands a good jumper. We can be assured that our South Korean partners are in good physical shape. But what about us? Won't our people, as has already happened in relations with other countries and companies, knock the bar off again and again because they are weighted down with our usual out-of-shape conditions: impracticality, irresponsibility, and general slovenliness? You cannot help thinking of this as you return from the Republic of Korea and recall the interest in us, the sympathy and good wishes, that fill the people of that country.

Efficacy of Soviet Policy in Middle East Questioned*91UF0989A Moscow SOVETSKIY PATRIOT
in Russian No 28, Jul 91 p 14*

[Article by R. Salyamov under the rubric: "About Countries Near and Far": "How Are Things over There in the Middle East?"]

[Text] My neighbor poses this question to me when we meet at the elevator each morning.

"Our foreign policy is on the verge of coming apart at the seams. We do not select our friends from the proper company and our weapons are actually no good at all. The Americans have dealt with Saddam Husayn," he stresses, a great fan of the democratic press. "We need to get out of there while the getting is good."

But maybe he is right: Is it in fact time to wave goodbye to everyone and withdraw into ourselves, following the example of the Chinese? They withdrew from the "hot spots" and concentrated on solving internal problems and they have achieved their own goal: they have clothed and fed their people. And how will we be worse off? All the more so if we rely on our cheerful and kind Western friends....

We have enough proponents of that variation in our country. Until recently, our diplomacy in the Middle East (just like in other areas of the world) proceeded from the logic of the USSR-U.S. confrontation. Now, after the thaw, the Middle East has sort of lost its significance both as an arena of confrontation and as a possible bridgehead for attacking our country from the southern axis. What is more, right now both powers have interests there that largely coincide.

First of all—this is the resolution of the Middle East conflict. The USSR and the United States, for the first time during the entire history of the Arab-Israeli conflict, are acting as partners and I do not think that the Americans would be satisfied with a partner who has totally made a mess of its own foreign policy. Although once again we must admit that we are already not managing to play an equal role: in my opinion, our participation has the nature of support actions. And yet Washington has not been able to get by without the assistance of Moscow which has maintained the capability to influence the course of events, even if to a lesser degree.

The special concern of both the USSR and the United States is caused by the threat of the proliferation of weapons of mass destruction. Yes and the saturation of the region with "conventional" weapons poses a significant threat. Egypt, Israel, and the Soviet Union have repeatedly proposed transforming the Middle East into a nuclear, chemical, and biological weapon-free zone. Until recently, these ideas did not receive support and, as it has turned out, they were completely futile: the war in the Persian Gulf has once again proved the need to adopt urgent measures on this score.

Recently the G. Bush administration advanced its plan to halt the proliferation of nuclear weapons and to limit conventional weapons deliveries. However, after a detailed review, it turns out that Washington primarily fears being unable to preserve Israel's nuclear monopoly and it is afraid

that the presence of nuclear weapons in Israel will provoke the Arab countries to retaliatory steps.

There are also doubts in the sincerity of U.S. intentions to serve as an example to achieve this plan. Just the day after Bush's speech at the Air Force Academy in Colorado Springs, Secretary of Defense R. Cheney, who was in Israel, announced that the American side intended to continue weapons deliveries to Tel-Aviv. Evidently the impact of the Americans' "Victory Syndrome" is being felt here when the Americans think that they have the complete right to dictate their terms in the world today.

However, the conflict in the Persian Gulf area has demonstrated that, even with the USSR's and U.S.'s common interests in this region, these interests still do not have to be identified, as they love to express themselves in the Soviet foreign policy establishment. In my opinion, this identification attempt has also resulted in the fact that we have found ourselves in the channel of the U.S.'s Middle East policy during the initial stages of the conflict and it seems to me that we were under Washington's thumb and Washington was consciously speeding up a military-political solution of the crisis.

In Iraq and Jordan, where I had the opportunity to visit at the end of February—the beginning of March of this year, many of our representatives thought that this policy was unjustified.

"Well and what would we have lost if we had abstained during the voting in the Security Council on the resolution on the use of force?", reasoned one of the Soviet diplomats in Amman. "I think that we would not have lost anything. We acted with sufficient principle, having condemned the aggression and supported the world community's opinion. Far from all of the U.S.'s allies manifested as much ardor and zeal as some of our politicians, journalists, and diplomats. Looking at them, I thought that they very much wanted to look more like Americans than the Americans. The Arabs will sort this out among themselves!....

Right now, several months after the war in the Gulf, the haste with which the decision was made on this conflict has become even clearer. The tactical methods that were used by Soviet diplomacy during the last months of E. Shevardnadze's tenure at the helm of the USSR MID [Ministry of Foreign Affairs] appear to be largely unjustified. From conversations with our diplomats in some Arab capitals, I got the impression that we counted on being able to solve all problems—both ours at home and throughout the world—thanks to improved relations between the USSR and the United States alone. Proponents of the "American orientation" have seized the upper level at the MID without considering the experience of our Arabists.

As a result, our opportunities in the Middle East turned out to be even more narrowed. Indeed, one can also pose this question: but is it worth mourning about this?

Evidently, it still is. Because we are vitally interested in stability in a region that is hiding too great an explosive potential. The consequences of the conflict in the Gulf have already affected our ecology and quite perceptibly. Yes and all of this occurred, let us not forget, almost right on our

southern borders. And the events in Lebanon? The country is emerging from a civil war and here we should just rejoice. But reports have appeared about major deliveries of arms that belong to Lebanon's military-political groups—to our Transcaucasus fighters [boyeviki]. Lebanese fighters are disarming and the weapons are being sold to Soviet fighters.

We also have economic vested interests in the Middle East. Why must we rely only on Western aid? Do the Arab states that are rich with oil really have little money? Why do we not think about this while we still do not have such a strong dependence on single sources of financial aid? Incidentally, the Third World has already long understood how dangerous it is lock oneself into a total of one or two financial sources.

And finally, it is time to think about how in the not too distant future the Soviet Union which now sells oil right and left will become a "net importer of oil" in 20-30 years due to difficulties of a technological and economic nature. God grant, as they say, that we manage to develop and shift to alternative energy sources. But if we do not manage to?

But the Middle East is not only Iraq, Lebanon, or Israel. This is also Palestine. Diplomatic relations have not been completely restored with Israel and some of our journalists have already begun to dump mud on the Palestinians. Naturally, the Palestine Liberation Organization [PLO] deserves serious criticism. For too long, Moscow has not listened to the screaming rhetoric of some PLO leaders and has closed its eyes to their "pranks." But there is also the Palestinian people and it is worthy of participation and it needs support!

By the way, there will be a special conversation about Palestine and the Palestinians in future issues of SOVETSKIY PATRIOT.

If we also talk about a Soviet foreign policy lapse, then this sooner needs to be done with regard to the old policy. The downfalls and "embarrassments" with our recent "friends," be they in Latin America, Africa, or Asia, lie more in the past and are associated with the Cold War. But this does not signify that the new policy also does not cause grave doubts—already due to the absence of a more or less rational alternative or due to its one-sided orientation.

So, I would compare the current stage of Soviet diplomacy in the Middle East with a withdrawal to not always prepared positions. The sphere of our influence in the Third World is quite rapidly diminishing. Indeed, this does not mean that we have silently withdrawn into a shell. From time to time, periods of calm are interspersed with heightened diplomatic activity. The trip undertaken by A. Bessmertnykh in April to this region signified a new stage of our Middle East policy which is largely coordinated with American efforts. I do not think that right now it would be appropriate to talk about any kind of "breakthroughs." In all likelihood, we need to talk about stopping the decline of the USSR's prestige among the Arabs and consolidate even if on those lines on which we have now found ourselves.

Redrawing of Boundaries To Settle Arab-Israeli Conflict Debated

Plan Proposed by Tartakovskiy

91UF0992A Moscow NEZAVISIMAYA GAZETA
in Russian 4 Apr 91 p 4

[Article by Marks Tartakovskiy: "Plan for the Middle East"]

[Text] **Someday the Arabs and Jews will live in peace and harmony, but today they need exchange.**

Urbi et Orbi

Although I have never been invited to attend meetings of the Israeli general staff or the confidential sessions of the Knesset commission on foreign affairs and defense, I can certainly imagine what their biggest concern is at this time. It would seem that the Iraqi fuehrer's last saddam (Arabic for skirmish or conflict) is over; the people in Israel have taken off their gas masks and can finally breathe freely, and yet.... Just imagine that Saddam Husayn might someday toss the map of Kuwait aside and begin the methodical pruning of Israel with Soviet "SCUD's" after collecting all of the decisive trump cards in the Islamic world, which takes in one-fourth of the earth's territory! We are already convinced that this is completely possible, and Israel, to its horror, is also convinced of this. After all, until the recent Iraqi provocations, the prevailing belief there was that the Israeli skies were reliably protected by the best pilots in the world. We remember that the one and only enemy plane to fly over Israel from the Syrian side after 1949 dropped a bomb on an oil tank in Haifa and was shot down immediately....

We also remember how our chief marshal of aviation rushed to inspect the Syrian air forces when dozens of Soviet MiG's fell from the sky over the Golan Heights at the time of the Arab-Israeli conflict in the late 1970s. The surprising zeal with which he acted at that time suggested that the downed pilots might not be Arabs at all. Now, after reading published letters in newspapers from our citizens who have a justifiable wish to enjoy the privileges of the "internationalist-soldiers," we know that our countrymen also fought in the Arab-Israeli wars. Where are their graves?

In short, the Israelis felt completely safe until the brainless SCUD's, which do not respect, so to speak, the courage and training of the Israeli pilots, changed the whole situation. Israel, which had always prided itself on its ability to deal with its enemies, reluctantly called in antiaircraft forces "from outside." Yes, the American Patriot missiles, which were perfected by Israeli specialists within just a few days, intercepted and destroyed the SCUD's, but Israel is such a tiny country that the missile fragments fell on the densely populated coastal strip of greater Tel Aviv, comparable in location and size to our greater Sochi.

Of course, if Saddam had indulged this whim under other circumstances, Israel's response would have been fully comparable to the recent allied bombings. The much higher intensity of the flights would have compensated for the much lower number of take-offs. All six of Baghdad's bridges across the Tigris would have been destroyed not in a month, as they were this time, but in a day—but so what? Dictators always hold an extra trump in reserve: They do

not care at all about losses or casualties. In our hypothetical case, this would turn into what might be called a natural jihad, and martyrs for the faith who died in battle would go straight to paradise, with its rivers of wine, milk and honey, and black-eyed houris.

Israel's situation would be almost hopeless because it would be extremely "risky" to launch a direct land invasion to settle the conflict: It does not have a common border with Iraq. What we refer to as world public opinion, with the United Nations serving as its forum, would be certain to support the "neutrality" of Jordan, located between the duellists.

This, however, would not even be the most nightmarish scenario for Israel. I have not even begun to discuss chemical, bacteriological, and radiation warfare (with warheads packed with the common fuel of "peaceful" reactors), not to mention nuclear weapons. In addition, more or less distant Arab countries would feel relatively safe and would also join in the missile "jihad".... Even though the same SCUD's (and with an "unconventional filling") would also mow the Palestinians down, why should they care?

It is this completely plausible scenario that is the subject of so much intense discussion in Israel's highest offices, but dictators all over the world just learned a good lesson and also have something to ponder.

How could anyone not use this unique situation to promote peace!

The United Nations made the decision to divide Palestine into Arab and Jewish states on 29 November 1947. The Arab armies concentrated around Palestine and directly on its tiny heels took this as a signal to attack. This is how the opportunity to establish a Palestinian state was lost and how the first protracted Arab-Israeli war was started....

Now people in our country are not only saying this but are also writing about it, but for so many years we were flinging propagandistic mud at the tiny Jewish state that managed to defend itself against the invaders! This is how we won our "authority" in the Arab world (the same authority we are choking on today); this is how we used slander and curses in revenge for the destruction of our weapons, which we had sent to the extremist regimes in such huge quantities. For about 10 years after the 6-day war in 1967, Israel was trading in the Soviet tanks, planes, weapons, and armored vehicles it had seized in battle and had repaired....

Will we ever forget the tense days of May and early June in 1967, the threats of the Egyptian president (who bore the title, incidentally, of Hero of the Soviet Union), his blockade of the Israeli port of Elat on the Red Sea, the sinister movements of Egyptian, Syrian, and Jordanian tank columns, and the arrival of reinforcements from other Arab countries? It was one casus belli after another, a lethal threat to the existence of the state and all of its inhabitants—not only the Jews, as in Hitler's time, but also the Arab citizens of Israel, who were declared "traitors to the Arab race." Ahmad Shuqayri, then the head of the PLO, announced that his brave soldiers would show no mercy.

Israel's victory in the 6-day war was swift, but it was not easy in any sense. The disparities between personnel

strength and purely geographic factors, such as the size of the territory on either side of the front, were too great. Suffice it to say that bombers from distant Egyptian airfields could attack the enemy and return to their own airfields nearby, whereas Israeli pilots sometimes had to fly to targets deep within Egypt on one engine and return on another. This was the only way they could make the round trip....

Here is the main thing: For the first time since 1945 the war was won by a liberal state. No party or faction in Israel was banned for even an instant. It had a parliament with Arab deputies and Communist deputies. The tyrannical regimes which expected democracy to be pliable and amorphous learned an important lesson, and essentially began taking a defensive stance at that time. In hundreds of books, reflective historians have compared the 6-day war to the Battle of Marathon....

I once heard Aleksandr Bovin, the popular international correspondent, express the fairly controversial opinion that the restoration of Israel's 1967 borders would "create two equal states of the same size in Palestine and secure peace." I could not believe my own ears and asked Bovin how large the Arab state would be. After all, Palestine is not made of rubber.

He replied that it would be about the same size as Israel.

Regrettably, the territory of the Arabs' state would be less than a third the size of the Jewish state, which is also hardly discernible on the map of the world—approximately 6,000 square kilometers.

Discussions of political issues should be based on more than just a globe of the world. If nothing else, we should remember that before the 6-day war Tel Aviv was located virtually on the border with Jordan, which was formally (and later actually) at war with Israel. Its width in the central, most densely populated portion was from 13 to 17 kilometers. This is only half or one-third the distance from the Tushino camp of the Second False Dmitriy and his pitiful band of followers to the Moscow of that day.

The Palestinians' expectations are certainly understandable, but what, in the final analysis, can they bring with them to the negotiating table? Will the topic of discussion be the same freakishly ambiguous and elongated border (of around a thousand kilometers just on dry land) which gives the territory of the Jewish state a wasp-waisted shape and simultaneously cleaves the projected Arab state into enclaves that are isolated from each other and are not equal in size or population (the Gaza Strip and the West Bank)?

This would provide so many new reasons for fights!

Is there another geopolitical solution? I suggest a solution I first thought of more than 20 years ago. At that time I would never have guessed that this idea—a fairly obvious one—would not enter anyone else's mind.

In view of the specific ethnographic features of the region, would it not be best to divide it along the shortest (only a hundred kilometers), almost straight line running from the Mediterranean coast to the Dead Sea? The initial proposal for discussion by the parties would be a reasonable partition along the border from the northernmost tip of the Gaza

Strip (in the west) to the narrowest section of the Dead Sea south of Masada (in the east), with consideration for the natural terrain of the area—the dry wadi, the Kidod mountains, etc.

In this way, instead of the West Bank with an area of 5,500 square kilometers, the whole southern half of the country, with twice the area and with access to the Mediterranean in the Gaza Strip and to the Red Sea in the port of Elat, would be offered to the Palestinians. Yes, it is a desert zone (Negev, Arava, and part of ancient Idumaea), but much of it is already irrigated by the Jordan water line, the uninterrupted operation of which should be stipulated in the agreement. Now the region is populated by almost 400,000 Jews in addition to the Arabs, and if there were an agreement on population exchange, the Jews would have to move from the developed cities of Beersheva, Netivot, 'Arad, Dimona, Yerokham, and Elat and from dozens of highly productive agricultural settlements to the north, to Israel with its new borders secured by a peace treaty. The Jewish state would be smaller than it was before the 6-day war, and the length of its land borders would be just over a third of what it was.

The result would be two small but compact and viable states....

There is no question that Israel would retain and even consolidate one of its important advantages within the new borders—the main source of water from the Jordan and Lake Tiberias. It was also there, however, before 1967. It is precisely this hydrographic feature that should determine the location, at least in theory, the Jewish state in the north and the Arab state in the south. After all, it was not only the Palestinians who declared themselves Israel's enemies, but also the powerful states of the region. They could be greatly tempted to dam the Jordan channel and gain a decisive strategic advantage.

If the future Arab state of Palestine should wish to unite with Jordan, where most of the population is also Palestinian, this new state, with access to two seas, with major oil pipelines on its territory, and with its central location in the huge Arab world, could become the veritable transport and economic hub of the whole Middle East, with economic potential far in excess of Israel's. Is there any reason at all—considering these prospects!—to be consumed by unproductive enmity?

There is no doubt that someday the Arabs and Jews, these biblical "cousins," will be living in peace and harmony, but at this time—and this is more than obvious—they need "separation" and "exchange." The most problematic part of my proposal is the voluntary (no other kind will work!) exchange of population. Could an eternal blood feud be better?

The south is twice as large in area as the present West Bank, but there is less living area. Israel will probably have to build another city with all of the amenities for the future Arab inhabitants to compensate them in some way for their resettlement. Perhaps it could initiate a joint project, which would be important from the economic standpoint, for the construction of a canal similar to the Suez and assume most of the expense....

This voluntary exchange would be a unique phenomenon, but it would be on a much smaller scale than the barbaric forced resettlements for which our 20th century is famous. Furthermore, unique circumstances are nothing new in the Middle East. Where did the three world religions come into being? Where else have people managed to establish their own state and revive their ancient language after being scattered all over the world for thousands of years? Where else in our time have aggrieved people fought such an indomitable struggle for their own national rights? All of these are unique phenomena in world history.

Is this plan feasible? I will answer in my native Jewish tone: Can you suggest something else? What we have now, on one side, is the desperate struggle of the Palestinians, which has proved to be hopeless, even when circumstances favored them in the past, and on the other, there is the reality of an increasingly fascistic atmosphere in the democratic Israeli society, coupled with the extremists' strong wish to "solve the problem" at a single stroke by forcing the Arabs to move.

I have faith, however, in Jewish common sense. After all, after the victory in the Yom Kippur war of 1973, Israel did give up the Sinai (which would be comparable, in terms of dimensions, to Russia's loss of Siberia) in exchange for a peace treaty with Egypt! I still remember the bitterness of the Israeli soldiers who had to evict the defiant Jewish settlers who had established the flourishing community of Yamit in the Sinai and had worked so strenuously to raise large harvests there. Peace was more valuable!

Plan Criticized; Tartakovskiy Responds

91UF0992B Moscow NEZAVISIMAYA GAZETA
in Russian 4 Jul 91 p 4

[Letter to editor from Eduard Shats: "Understanding Each Other; Will the 'Tartakovskiy Plan' Bring Peace to Palestine?" and response by Marks Tartakovskiy: "The Problem in Profile"]

[Text] Marks Tartakovskiy's article "Plan for the Middle East" was published in this year's 4 April edition of NEZAVISIMAYA GAZETA. Today we are printing one of the letters the editors received in response to this article, with an afterword by the author of the "plan."

The Middle East

Discussions of political issues should be based on more than just a globe of the world. It is just as difficult, however, to base them only on a map of the world, and this is precisely what Marks Tartakovskiy tries to do. In order to eliminate the "freakishly ambiguous and elongated border" between the occupied territories and Israel proper, "which gives the territory of the Jewish state a wasp-waisted shape and simultaneously cleaves the projected Arab state into enclaves that are isolated from each other and are not equal in size or population (the Gaza Strip and West Bank)," the author has suggested that the territory of the West Bank, with a population of around 800,000, be exchanged for the territory of the Negev, with a population of over 500,000. According to Tartakovskiy, this would produce "two small but compact and viable states."

Carrying out this plan would require a great deal of time and money and would necessitate the voluntary exchange of population—that is, the voluntary resettlement of 1.3 million people. Tartakovskiy admits that this is the most problematic part of his proposal. In my opinion, the plan is completely unrealistic and will not even guarantee peace in the region.

The Israelis will never voluntarily give up the developed desert lands of the Negev, its new and modern cities, Beersheva with its university, the nuclear center in Dimona, and the port of Elat, which secures Israel's access to the Red Sea. By the same token, the Arabs will never voluntarily leave the West Bank of the Jordan, where they have lived for more than a thousand years, and they will not give up the Muslim holy places in Jerusalem. Besides this, M. Tartakovskiy has obviously forgotten that after June 1967 Israel was not concerned so much with protecting the earlier elongated border, which was now within the country, as the existing external border, which is not all that elongated, which coincides for the most part with natural boundaries, and which meets the country's security requirements more fully.

Furthermore, is this kind of exchange all that necessary and can it bring peace to the region? Has history taught Tartakovskiy nothing? Was the 1947 partition of the former British mandate of Palestine along ethnic and religious lines the only one of its kind? The British Empire divided many of its former colonies before it withdrew from them. The separation of Ulster, with its predominantly Protestant population, from Catholic Ireland, and the division of former British India into Islamic Pakistan and the Hindu Indian Union offer sufficient evidence of this. Millions of Muslims and Hindus went through a comparable exchange at that time. Now Tartakovskiy is suggesting a new division of Palestine. Can the whole issue really be confined to borders or to the particular territories the Jewish and Arab states will occupy? There is also the consideration that the very birth of the independent Jewish state hurt the idea of pan-Arabism, envisaging a single mighty Muslim Arab state stretching from the Atlantic to the Indian Ocean.

As for the exchange of population, it has been going on since 1948. Between 1948 and 1984 Israel welcomed around 600,000 Jewish repatriates from the Arab countries. Approximately the same number of Arabs left Palestine. Whereas virtually all of the repatriates in Israel found jobs and homes, however, many Arab countries refused to grant the Palestinians citizenship, and some even kept them in refugee camps as long as possible. Some people in the Arab world, and outside the Arab world as well, have benefited from the unsettled status of the Palestinians. The Israeli Jews and the Palestinian Arabs would have sat down at the negotiating table long ago if their confrontation had not served the interests of the surrounding Arab countries and of the ideologists of Islamic fundamentalism and Arabic socialism and, in addition, the interests of the great powers—the United States and the USSR. After all, this was also one of the fronts of the confrontation between socialism and capitalism.

The Arab states which refused to recognize the UN General Assembly resolution of 29 November 1947 were denying the right of the Jewish state and the Arab state to exist within the territory of the former mandate of Palestine. In 1948 the armies of five Arab states attacked the new independent Jewish state. Israel barely managed to defend its independence. The Gaza Strip was taken over by the Egyptians, and the West Bank of the Jordan, including eastern Jerusalem, became part of Trans-Jordan in 1950, and that state was renamed the Hashemite Kingdom of Jordan. The Arab states did not give the independent Palestinian Arab state any thought until after the defeat in the 6-day war—i.e., after all of the territory of the former mandate of Palestine was controlled by the Israelis. At this time Israel has only one peaceful border—with Egypt.

Many of the Arabs in the territories Israel occupied live in refugee camps. Their numbers are slowly but surely decreasing. Whereas 35 percent of the entire population of the West Bank and the Gaza Strip lived in refugee camps after 1948, before these areas had been occupied by Israel, in 1967 the number had fallen to 24 percent of the population, and in 1984 it was 17 percent. Providing all of the inhabitants of the occupied territories with housing, jobs, and adequate living conditions would require capital investments. These would be large investments, but they would be much smaller than the ones needed to carry out Tartakovskiy's plan. But where would the money come from? Who would invest capital in these territories? Israel? The Arab countries? The United States, Europe, or Japan? No one will contribute a single kopeck until the status of these territories has been decided and a state of peace is declared in the region.

The Jews and Arabs certainly will live in peace and harmony someday. Before this can happen, however, they have to realize that they have no other alternative today but to live as neighbors. For the restoration of trust between them, the Arabs must understand that the withdrawal of Israel's defense forces from the present borders will be out of the question until its security can be guaranteed, and Israel must grant the West Bank and Gaza Strip the broadest self-government powers. Later, in my opinion, the creation of a confederation of Israel and Palestine could be proposed, with Jerusalem representing a capital district with special status and approximately the same boundaries the United Nations suggested in 1947—i.e., including Bayt Lam (Bethlehem)—or perhaps the creation of a binational federated state, consisting of lands like the FRG: three Jewish lands—Galilee, the coastal region, and Negev; three Arab lands—Nablus, Hebron, Gaza and the capital district.

The main concern of Soviet readers will be the policy the Soviet Union will pursue in the Middle East. There is no question that the USSR should establish full-scale diplomatic relations with Israel and recognize Jerusalem as the capital of Israel, but this could put the USSR in an ambiguous position as long as it recognizes the non-existent state of Palestine and allows it to maintain an embassy in Moscow. This will necessitate not only the cessation of all military aid to the PLO—this is self-evident—but also the conversion of the Palestinian embassy into the PLO representation in Moscow. We must realize that the PLO cannot

represent all of the Palestinian Arabs because no Palestinian elections have ever been held.

I also have faith in Jewish common sense, but I believe that some Palestinian Arabs would say there has been enough bloodshed and that peace will finally come to this ancient and long-suffering land. Both sides will have to travel a long and difficult road before this can happen, however, and the Soviet Union must help them complete the journey as quickly as possible.

Rebuttal

A portrait in profile can be absolute accurate and still conceal something significant—for instance, that the person is blind in one eye. This is how the author of the letter examines the issue, from the side he prefers, and pronounces his verdict. I would be happy to agree with him, because I am Jewish myself, and the author's views leave no doubt about his origins. The saddest and most hopeless thing is the peremptory confidence in his own (and only his own!) national righteousness—of the Jew and the Arab, the Tamil and the Sinhalese, the Georgian and the Ossetian, the Armenian and the Azerbaijani, and even the Serbian and the Croatian, who express their feelings to each other in the same Serbo-Croatian language.

It would be fine if at least the fundamental bases of all of our thoughts were rooted in the same system of formal logic. For instance, I also feel that "the Arabs must understand that the withdrawal of Israel's defense forces from the present borders will be out of the question until its security can be guaranteed." Does this mean that if there were such guarantees—i.e., an agreement by the parties—Israel would withdraw from the territories it controls today and would return to its earlier borders? But this is exactly what the Arab side is proposing at this time ("territory in exchange for peace"), and Israel is not at all pleased with the offer.

If, on the other hand, the author of the letter anticipates the retention of (in his words) "the existing external border," within which "the creation of a confederation of Israel and Palestine could be proposed," he is being illogical again. A confederation presupposes the absolute equality of the sides, their sovereignty, and an equitable agreement. Does the author expect a Palestinian army to begin guarding the present "external" borders as well—along the Mediterranean coast, for example?

Ideally, of course, it would be wonderful to arrive at the "creation of a binational federated state (well, what is it to be: a confederation or a federation?—M.T.), consisting of lands like the FRG: three Jewish lands—Galilee, the coastal region, and the Negev, and three Arab lands—Nablus, Hebron, Gaza".... Regrettably, the problem here is that the FRG is a strictly uninational state! Furthermore, any Arab would immediately see the nasty trick in this symmetrical list of "lands" (three and three): Nablus and Hebron are both part of the West Bank. The third "land" in the Arab equation is western Galilee, which has been under Israeli jurisdiction for more than 40 years, and this is recognized by the majority of countries, although the author preferred to forget about this. Would this kind of guile pass unnoticed at the negotiating table?

It would be all right if only the author's logic revealed flaws of this kind! The reason that there is nothing on the negotiating table, or even a table, yet is that no one has taken the trouble to look at the problem from both sides—including the opponent's side. Each person has his own version of the truth. The author of another response to my "plan" proposes an extremely radical solution: "If our leaders love these Palestinians so much, why not resettle some of them in our country and establish a small autonomous oblast for them near the Caspian Sea, where the climate is comparable to Palestine's: Neftekumsk, Prikumsk, Kalmykia"....

My objective is much simpler: To come up with something relatively feasible to put on the future negotiating table "as the initial proposal for discussion by the parties." Of course, I realize that it is a long way from a speculative plan to real accomplishments, but I also know that the life of an individual is short, while nationalities live on and on. Should they continue living like spiders in a pot, engaging in competitive breeding: Which one will finally crowd the other out, so to speak, by virtue of its "bulk"? Does the already discernible future of southern Africa not issue a grim warning?

Soviet Committee in Support of Iraqi Opposition Forming

91UF0989B Moscow NEZAVISIMAYA GAZETA
in Russian 23 May 91 p 4

[Statement by the Organizing Bureau of the Committee to Support the Iraqi People's Struggle [KPIN]: "Statement by the Organizing Bureau of the Committee to Support the Iraqi People's Struggle"]

[Text] The Iraqi people's uprising after the collapse of Saddam Husayn's adventure in Kuwait demonstrated the entire depth of the population's rejection of the bloody dictator's regime. The Baghdad butchers responded to this with acts of genocide against the Kurds in the northern part of Iraq and against the Shiites in the south. The scale of these crimes has exceeded all previous crimes committed by them over the decades. While striving to prevent his inevitable departure from the political arena, Saddam Husayn and his assistants have inundated Iraq with the blood of hundreds of thousands of its own country's citizens.

The world community and the countries of the anti-Iraq alliance that managed to restore Kuwait's independence and to eliminate the military-political consequences of the aggression at the same time unfortunately did not manage to prevent the dictator's reprisals against his own people. In light of recent events, it is the Iraqi people that is becoming the Baghdad regime's primary victim.

Maintaining the current Iraqi rulers in power is a potential threat for both Iraq itself, for neighboring countries and, ultimately, for the entire world community. The entire history of their tenure in office demonstrates that, having finished off their internal enemies and having transformed the remaining portion of the population into obedient robots, they are once again attempting to direct their greedy gaze toward neighboring states. The practice of political impunity for such types of action creates, besides everything

else, a dangerous political precedent. It is fraught with temptation for other real and potential dictators and adventurers in various parts of the world, including in our country, to repeat Saddam Husayn's "exploits."

It seems that world society has begun to properly recognize this. In any case, in Europe, America, and other parts of the world, acts of solidarity with the people of Iraq and support for anti-dictatorial forces and humanitarian aid to the victims of genocide are multiplying.

Soviet society is the deplorable exception which has not yet expressed one practical action of its attitude toward what is occurring in Iraq. This is all the more troubling since the Soviet Union is not the least responsible and is possibly more responsible than other world powers for the fact that the Iraqi regime, having been left unpunished for the aggression against Iran, later carried out the attack against Kuwait and the Iraqi opposition has assessed the ambiguity of Soviet policy with regard to the Baghdad regime in the recent period, not without foundation, as one of the factors that has promoted unleashing genocide within the country.

Having become a political anachronism, the Soviet-Iraqi Treaty on Friendship is aggravating the ambiguity of Soviet policy in this aspect. The USSR has twice become the hostage of this treaty. And moreover under current conditions this treaty is seen as indulgence to support a dictator and the crimes committed by him. Meanwhile the union parliament has refused not only to denounce this document but also to terminate its force.

The danger of this position has not only an international but also a domestic aspect. It is becoming the culture medium to activate political forces of Stalinist and Neo-Stalinist orientation that have selected the banner of "solidarity and cooperation" with the Saddam Husayn regime. It is noteworthy that the "Committee for Solidarity" with the Saddam Husayn regime, which includes representatives of military, Neo-Stalinist, and other hostile circles that are undergoing changes, was even founded in Moscow.

Considering what has been stated above, support for the Iraqi people's struggle and solidarity with them and not with the Baghdad regime has enormous significance and profound moral and political sense not only for the Iraqis but also for the peoples of the Soviet Union. Bearing these goals in mind, a group of scholars, journalists, and representatives of other social circles of various nationalities has formed an Organizing Bureau for creation of the Committee to Support the Iraqi People's Struggle Against the Dictatorial Regime. The Organizing Bureau is an interim organ and will transfer its powers to the committee after its creation.

The Organizing Bureau of the Committee to Support the Iraqi People's Struggle (KPIN) announces:

1. Its solidarity with the Iraqi people and support of their struggle to end the dictatorial regime and to replace it with a coalition government formed from representatives of the Iraqi opposition who are supported by the people.
2. A political solution of the Kurdish question. The formation of real autonomy for the Kurdish population within the framework of a democratic Iraq.

3. Its support of the demands of the world community on the immediate cessation of genocide in Iraq, removal of the existing regime from power, and bringing the regime before the international court according to the Nuremberg process for crimes against humanity.

4. Its demand to the USSR Supreme Soviet to review the attitude toward the Soviet- Iraqi Treaty on Friendship and Cooperation and to adopt a decision to denounce it.

5. The need for USSR mass media organs to penetrate the information blockade surrounding the true nature of what is occurring in Iraq and the activities of the Iraqi opposition.

6. The initiation of activities for the creation of a broad social movement in support of the Iraqi people's struggle.

Differentiated Pay for Soviets in Pakistan Seen

91UF0940A Moscow IZVESTIYA in Russian 27 Jun 91 Union Edition p 5

[Article by IZVESTIYA correspondent N. Paklin: "The Ambassador's Wages... Paid by an Electrician"]

[Text] Whatever you may say, we do know how to make some things. I saw further confirmation of this when I paid two visits, with a year's interval, to the metallurgic plant near Karachi. It was built on the shore of the Arabian Sea according to our design and with our participation, and its equipment and machinery were produced in our country.

The plant became fully operational in early 1985 and at once started being efficient and profitable. The demand for the plant's product will increase even more in the nearest future. It was not mere chance that the Pakistani leaders decided to expand the production capacity of the plant from 1.1 million tons of steel to 3 million. They appealed to our country for help in implementing this major project. We agreed to provide assistance, and an intergovernmental Soviet-Pakistani agreement was signed in October of 1989 which outlined our economic and technical cooperation in the plant expansion. Our experts started arriving at the plant.

My conversations with the plant managers convinced me that Soviet experts were well appreciated there for their expertise and knowledge, for their dedication to their work, and finally for their humane attitude.

The Pakistani side is paying our metallurgy experts decent salaries known as compensation wages. Our expert group leader, Ivan Mikhaylovich Gusarov, who is working at the plant for the second time, for instance, is being paid 40,000 Pakistani rupees a month (\$1 equals approximately 24 rupees). Besides, the Pakistani steel corporation Pakstil which owns the plant pays his rent and utility bills, as is also the case with our other specialists. The corporation also pays for his airplane ticket, his vacation leave, etc. In other words, the Soviet side does not incur any expenses for the upkeep of its experts in Pakistan. Moreover, Pakistanis make their payments for our specialists in hard currency cash or, to be more exact, in dollars. Under such conditions the life of Ivan Mikhaylovich from the Nizniy Tagil metallurgical combine and his colleagues should have been quite carefree. But they start scratching their heads at the mere mention of their salaries. Why so? Given the current prices

in Pakistan, multiplied by inflation, their salaries look very modest. The Pakistani specialists who were trained in their field by our metallurgy experts are paid a lot more. We cannot even compare their wages with those of the Western experts, though our people are not any less knowledgeable.

It is true that on top of their Pakistani rupees our experts also receive 60 percent of the salaries they had in the Soviet Union. But you and I know the size of these salaries...

I asked Ivan Mikhaylovich: "Is it possible that your own plant is receiving three quarters of the hard currency wages paid to you by the Pakistani side for your work?"

"I wish it were," he sneered. "The paradox is that the plant does not get any compensation when it sends its experts abroad according to the list from 'above.' Such trips bring only losses and no gains to the plant. The plant has no incentive for sending its people to other countries. This issue was discussed many times in the USSR government and other offices, but still things are not moving. I think that this state of affairs needs to be urgently changed as we transfer to a market economy. A plant or any other enterprise sending any of its experts to work abroad should be getting corresponding hard currency compensation. It should be comparable, for instance, to the payments received by our soccer clubs that agree to release their players to foreign teams."

"The metallurgists should not be the ones to complain," I was told by our Islamabad trade mission officials when I shared with them all that I had heard at the plant.

"Our dear government is robbing our geologists even more."

I was told about the metamorphoses that occur in the salary of M.N. Urumov, our chief geologist in Pakistan. His contract sets his salary at \$2,350 a month. Our people leave him with \$140. But he does not receive this money as cash either. He is given the choice: he can either transfer the money to his account in Moscow, or withdraw it in Pakistani rupees according to the current exchange rate. But who is going to transfer money to Moscow given the chaos in our hard currency banking system? You transfer money one day and you do not have it the next. That is the reason Soviet experts in Pakistan receive the dollar part of their wages in Pakistani rupees. All the money they manage to save they spend on various goods there also. Moreover, many people withdraw from the Vnesheconombank [Bank for Foreign Economic Activity] even that hard currency which they had transferred there previously, planning on our "Beriozka" shops.

Apart from the considerable dollar sums, M.N. Urumov is also supposed to be paid 30,000 Pakistani rupees. But he receives 5,000 rupees only. His entire monthly salary amounts to about 9,000 Pakistani rupees. According to some estimates, our geologists receive approximately one-tenth of their contractual sums. But our financial officers managed to grab even some of that money.

Who decides how much our experts should be paid abroad? I was shown a booklet in the USSR trade mission, a product created by our bureaucrats. The booklet states in black and white that the salary of each Soviet individual working in a foreign country is calculated pro rata the salary of the USSR ambassador. His wages are the highest, and nobody can be paid more than the ambassador. His salary is estimated at 100 percent. It is followed by a list of percentages representing the salaries of all lower-rank Soviet officials—trade representatives, diplomats, chief and other engineers from the trade mission, drivers, cleaning women, etc.

This system seems strikingly irrational, as does its tendency to bring everyone to one level. Why should the ambassador's salary be the starting point? What is there in common between his wages paid by our government and the earnings of an expert whose contract is paid by the Pakistani side? The ambassador and embassy and trade mission officials receive their salaries from the state budget. But our experts working abroad are paid by a foreign government or firm, and that is the basic difference.

Defenders of our current foreign salary system use the following argument: The ambassador represents the Soviet Government, and he is entitled to the highest pay in his country of residence because of his rank. I do not think this is a valid argument. Why should the USSR ambassador in that same Pakistan get more money than, say, the electrician who is installing power-generating units at the Multan heat and electric power station in the arid desert (over 50 degree heat in the shade in summer). We earn dollars helping to construct the power station, and part of that money goes for the upkeep of our embassy.

"If we preserve the current pay system for our experts," I was told at the Islamabad trade mission, "there is no guarantee that many of our experts will not follow the example of our sportsmen who have escaped the protection of the Goskomsport [State Committee for Sports]. Our specialists are already talking about individual work contracts with Pakistani firms that can be signed directly, without any Soviet intermediary organizations. In that case nobody will have any right to take away any of their honestly earned money. They will pay the appropriate taxes and that would be it."

I do not know what is going to happen in the future, but so far our experts in Pakistan have been asking for very little: Raise their salaries by changing the share of their contractual pay and the share taken by their government without any explanation. They have written about this many times to various offices and the USSR president. Their request has not been heeded yet. What was heeded for some reason was the request of Soviet officials from international organizations. The "extra" part of their considerable hard currency wages stopped being withdrawn to the state budget. Can the difference in their social positions be the reason for this? Technical experts are workers, technicians, engineers—smart but "simple" people as they say. But our international officials must be a privileged class. I heard such bitter statements at our construction sites in Pakistan also.

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